

Sixth Edition

# TOURISM

*The Business of Hospitality and Travel*



Roy A. Cook | Cathy H.C. Hsu | Lorraine L. Taylor

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Roy A. Cook

*Fort Lewis College, Professor Emeritus*

Cathy H. C. Hsu

*The Hong Kong Polytechnic University, Chair Professor*

Lorraine L. Taylor

*Fort Lewis College, Assistant Professor*



330 Hudson Street, NY, NY 10013

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## **Dedication**

To my wife, Gwen, who continues to support and encourage me in the completion of all my writing endeavors.

*Roy*

To my husband, Thomas Sun, for his TLC and support.

*Cathy*

To my parents, Robert and Harriet, from whom I inherited an insatiable sense of wanderlust.

*Lorraine*



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# PREFACE

This text provides a holistic view of the tourism industry through the use of cases and real world examples. We have taken a global perspective with numerous international examples and included current trends and industry developments in every industry segment.

We set out to write a book that would be as interesting and multifaceted as the field itself. Like the five previous editions, the sixth edition of *Tourism: The Business of Hospitality and Travel* features a conversational style, making it fun to read, yet providing a thorough overview of the tourism industry, giving balanced coverage to each component part. The role of travel intermediaries, technology, transportation modes, accommodations, cruise lines, destinations, attractions, and food and beverage operations are all covered in detail. As the importance of the industry has continued to grow we have paid increasing attention to the economic, political, environmental, and social/cultural impacts of tourism and the critical issues of sustainability.

As our title suggests, we look at the tourism industry through the lens of business, specifically by considering the management, marketing, and finance issues most important to industry members. In addition, the book starts with a comprehensive model of tourism and unfolds by considering each piece of the model in succession. All students should find the book enjoyable and educational, no matter which facet of the industry they find most interesting.

## New to the Sixth Edition

We have built on the success of the previous editions of *Tourism: The Business of Hospitality and Travel* and created an even better learning tool in the sixth edition.

A new four-color format is intended to enhance engagement with a text students have already said they enjoy learning from and reading. Additional key additions and revisions include:

- We have addressed the ways that environmental and sustainability issues have continued to grow in importance throughout the industry by highlighting key issues and emerging trends. Chapters 12 and 13 include an expanded discussion of the triple bottom line for evaluating the impacts of tourism and sustainability.
- We have added a significant number of academic references in all chapters for readers who are seeking resources for more in-depth analyses and discussions.
- We increased coverage of the rapidly evolving impact of technology on the tourism industry and expanded coverage of the dynamics of distribution. Chapter 4 discusses the growing importance of social media to tourism and Chapter 5 includes coverage of beacon technology, for example.
- We increased the presence of international practices and perspectives with multiple new examples.
- Chapter 3 includes an expanded discussion of human resources in the context of the service-profit chain, especially as it relates to improving and maintaining service delivery.
- Chapter 10 includes enhanced coverage of cruise line topics with the addition of new material, especially the growth in fleets and river and Asian cruises.

## Who Should Use This Book

We designed this sixth edition of *Tourism: The Business of Hospitality and Travel* so that it can be tailored to suit a variety of needs. Its engaging writing style and hundreds of updated industry examples make it the perfect textbook for students taking their first hospitality or tourism class. The thoroughness of content also makes it suitable for upper-level hospitality and tourism courses. To meet the advanced critical-thinking needs of junior and senior students, we have augmented the text's basic content with integrative cases that they can use to apply their knowledge and refine their problem-solving skills.

No matter how experienced the instructor or students, we believe this sixth edition is one that professors can teach with, not simply from. The various text features and teaching supplements allow each instructor to develop the course to fit his or her style to successfully deliver the content in a way that engages and inspires students.

## How the Text Is Organized

The sixth edition of *Tourism: The Business of Hospitality and Travel* introduces students to an integrative model of tourism as a dynamic industry and then unfolds, considering each of the model's components in turn. Part 1 focuses on the traveling public and tourism promoters, explaining the importance of providing quality service, the critical linking role of distribution channel members, and the importance of technology to all industry participants. Part 2 familiarizes students with each of the tourism service providers in turn, beginning with transportation and concluding with destinations and resorts. Part 3 elevates students' attention to macro-issues facing the industry, such as the important impacts tourism can have on host communities and the world. Each part of the book is followed by several integrative cases.

## Special Features

*Tourism: The Business of Hospitality and Travel* includes a variety of features to support student engagement and understanding and to allow instructors the greatest flexibility in teaching their courses.

- Every chapter opens with learning objectives and a detailed outline.
- Every chapter features an engaging opening vignette that illustrates a major component of the chapter and then is mentioned again within the chapter pages.
- All chapters include ethical/critical-thinking dilemmas (termed “You Decide”) that are useful in generating class discussion and encouraging students to practice critical-thinking skills. Each “You Decide” is written to be especially relevant to the chapter in which it appears.
- Every chapter includes tables and figures that will help students understand the more abstract concepts and theories presented.
- For Your Information (FYI) boxed items are sprinkled throughout the chapters. These items serve as examples of chapter concepts and provide helpful travel tips or useful business information.
- Every chapter includes “Tourism in Action” topics that provide students with in-depth industry examples.
- Discussion questions at the end of every chapter are based on the learning objectives and are intended to help students retain and deepen their understanding of text material.

- The “Applying the Concepts” section within each chapter offers professors and students a variety of thought-provoking topics to explore or to use as a blueprint for applying newly acquired knowledge.
- Key terms are listed at the end of each chapter and a full glossary is placed at the end of the book.
- Integrative cases follow each major section of the textbook, offering the instructor supplemental material and examples for student discussion.

## Instructor Resources

To fulfill our goal of making this sixth edition of *Tourism: The Business of Hospitality and Travel* customizable for individual instructor needs, we have developed a comprehensive instructor’s toolkit of resources. The instructor’s manual includes the usual elements—detailed chapter outlines and a test bank—but also includes supplemental lecture material and discussion guides to support the cases provided in the text. In addition, discussion suggestions are offered throughout the chapter outlines to generate student debate on several of the textbook features, such as the “You Decide” chapter dilemmas. The power of the written word in our text is also supported with PowerPoint slides.

To access supplementary materials online, instructors need to request an instructor access code. Go to [www.pearsonhighered.com/irc](http://www.pearsonhighered.com/irc), where you can register for an instructor access code. Within forty-eight hours after registering, you will receive a confirmation email, including your instructor access code. Once you have received your code, go to the site and log on for full instructions on downloading the materials you wish to use.

# ACKNOWLEDGMENTS

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We would also like to add a special thank you for the support of two dedicated librarians, Lateka Grays, University of Nevada, Las Vegas and Shane Roopnarine, University of Central Florida who provided invaluable research support.

# ABOUT THE AUTHORS

**Roy A. Cook, DBA (Mississippi State University)**, is Professor Emeritus, Fort Lewis College, Durango, Colorado. He has written several textbooks: *Tourism: The Business of Hospitality and Travel*, *Human Resource Management*, *Meeting 21st Century Challenges*, *An Accidental Hotelier* and *Guide to Business Etiquette*. He also serves as the editor of *The Source: A Guide to Academic Journals and Publishing Opportunities in Hospitality, Leisure, Tourism & Travel* (now in its third edition). He has authored over 100 articles, cases, and papers based on his extensive working experiences in the tourism and hospitality industry and research interests in the areas of strategic management, tourism, human resource management, communications, and small business management. In addition to serving as past editor of *Annual Advances in Business Cases*, he serves on the editorial boards of the *Journal of Teaching in Travel and Tourism*, *Journal of Case Studies*, the *Business Case Journal*, and the *Journal of Business Strategies*. He is a long-standing member of the International Society of Travel and Tourism Educators, Academy of Management, and Society for Case Research (past President and Executive Director). Dr. Cook served as Associate Dean of the School of Business Administration at Fort Lewis College and as the Director of the Colorado Center for Tourism Research. He taught courses and consults in Tourism and Resort Management, Human Resource Management, Strategic Management, and Small Business Management.

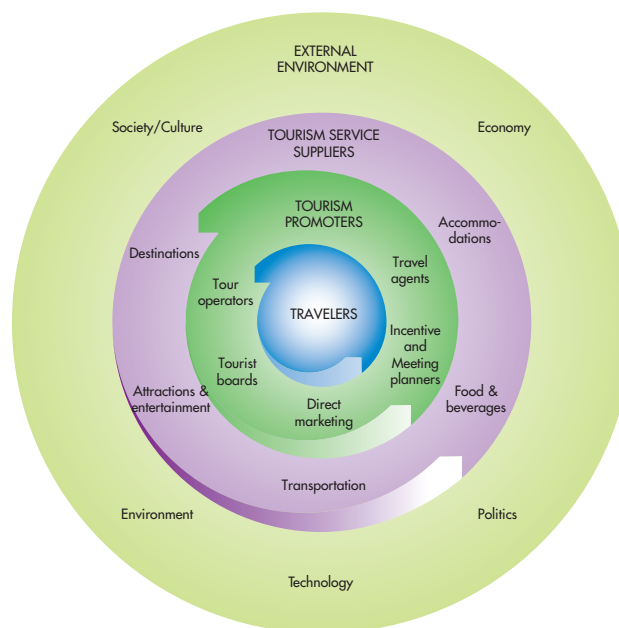
**Cathy H. C. Hsu, PhD (Iowa State University)**, is the Chair Professor of Hospitality and Tourism Marketing in the School of Hotel and Tourism Management at The Hong Kong Polytechnic University (PolyU). Prior to joining PolyU in July 2001, she taught in the United States for 12 years in two different state universities. She is the lead author of the books *Tourism Marketing: An Asia-Pacific Perspective*, published in 2008 by John Wiley & Sons Australia, Ltd., and *Marketing Hospitality*, published in 2001 by John Wiley & Sons. She has coedited a book, *Tourism and Demography*, published by Goodfellow Publishers, Ltd., in 2011. She is the editor and chapter author of the book, *Legalized Casino Gaming in the U.S.: The Economic and Social Impact*, published in 1999, and of the book, *Casino Industry in Asia Pacific: Development, Operations, and Impact*, published in 2006, both by The Haworth Hospitality Press. Her research foci have been tourism destination marketing, tourist behaviors, hotel branding, service quality, and the economic and social impacts of casino gaming. She has over 200 refereed publications. She is the Editor-in-Chief of the *Journal of Teaching in Travel and Tourism* and serves on 10 journal editorial boards. She received the John Wiley & Sons Lifetime Research Achievement Award in 2009 and International Society of Travel and Tourism Educator's Martin Oppermann Memorial Award for Lifetime Contribution to Tourism Education in 2011.

**Lorraine L. Taylor, PhD (Clemson University)** is an Assistant Professor of Management in the School of Business Administration at Fort Lewis College in Durango, Colorado. There, she teaches courses in the Tourism and Hospitality Management concentration including Sustainable Tourism, Event Management, and Critical Issues in Tourism and Hospitality Management. Prior to earning her doctorate, she pursued a career in the hotel industry and worked for Walt Disney World, Marriott International, and the Five Star and Five Diamond rated Sanctuary at Kiawah Island Golf Resort. She also worked as an inspector for a luxury hotel guidebook, Condé Nast Johansens. Dr. Taylor's research interests are in tourists' motivations, decision making, and behavior. Her current projects apply these concepts to the development of profiles in niche markets. She is a member of the Travel and Tourism Research Association, the International Society of Travel and Tourism Educators, and the North American Case Research Association. She sits on the editorial review board for the *e-Review of Tourism Research* and also reviews for *Event Management*.

# The Traveling Public and Tourism Promoters

## CHAPTERS

- 1 Introducing the World's Largest Industry, Tourism
- 2 Marketing to the Traveling Public
- 3 Delivering Quality Tourism Services
- 4 Bringing Travelers and Tourism Service Suppliers Together
- 5 Capturing Technology's Competitive Advantages



*An integrated model of tourism.*



# CHAPTER 1

## Introducing the World's Largest Industry, Tourism

*Travel is fatal to prejudice, bigotry, and narrow-mindedness.*

—MARK TWAIN

### LEARNING OBJECTIVES

**After you have read this chapter, you should be able to:**

1. Understand and explain the basic definition of tourism.
2. Identify the major participants and forces shaping the tourism industry.
3. Explain historical factors that encouraged the development of tourism activities.
4. Explain the impact of physical, human, and regional geography on tourism activities.
5. Explain why tourism should be studied from marketing, management, and financial perspectives.
6. Identify future challenges and opportunities facing the tourism industry.
7. Discuss career prospects in the tourism industry.

### CHAPTER OUTLINE

#### Could a Career in Tourism Be in Your Future?

##### Introduction

##### Services and Tourism

##### What Is Tourism?

##### A Tourism Model

##### The History of Travel and Tourism

- The Empire Era
- The Middle Ages and the Renaissance Era
- The Grand Tour Era
- The Mobility Era
- The Modern Era

##### Bringing Tourism into Focus

##### Geography Describes the Traveler's World

#### Maps

- Reading Maps
- Indexes and Locators
- Scales
- Legends
- Physical Geography
- Landforms and Vegetation
- Water
- Climate and Seasons
- Human Geography
- Regional Geography

#### Studying Tourism from Business Perspectives

- Marketing
- Management
- Finance

Tourism's Challenges and Opportunities  
Where Do You Fit In?  
Topics Covered in Each Chapter  
Summary  
You Decide

NetTour  
Discussion Questions  
Applying the Concepts  
Glossary  
References



*Tourism is a Worldwide and Growing Phenomenon.* Prasit Rodphan/Shutterstock

## Could a Career in Tourism Be in Your Future?

From the day he entered the hospitality management program at Central Piedmont Community College, Bruce Moss knew he wanted to be in the business of serving people. The twists and turns his career took after graduating have been as varied and exciting as the industry that became part of his life—tourism. Bruce's career began with a bang and soon skyrocketed. It started with the job of assistant manager at a 177-room Ramada Inn franchise in Charlotte, North Carolina, right after graduation. He was soon promoted to the position of general manager at another Ramada Inn with the same company in Clearwater, Florida. Based on his successful track record of profitable operations, he was recruited to open the 244-room Tampa Airport Hilton. The promotions and opportunities just kept coming.

Just six years after graduation, Bruce was recruited to fill the position of director of Front Office Operations of the Innisbrook Westin Resort, a four-star, four-diamond golf/tennis resort in Palm Harbor, Florida. After two short years, he was promoted to vice president/resident manager of this resort complex covering 1,000 acres with over 1,200 condominium units, three championship golf courses, four restaurants, over 60,000 square feet of banquet space, and a staff of 1,000 employees.

Like almost everyone in the tourism industry, Bruce was presented with many new and challenging opportunities on a regular basis. His next assignment found him moving from the seashore to the mountains as he accepted a transfer to Innisbrook's sister property, Tamarron Resort, high in the Colorado Rockies. "Bitten by the resort operations bug," Bruce decided to complete a four-year degree in tourism to open up even more opportunities. Armed with additional education and a broad base of operational experience, expanded career opportunities led him to general manager positions at Purgatory Village in Durango, Colorado, and later in Jackson Hole, Wyoming.

His most recent career move finds Bruce as a business owner, serving all segments of the tourism industry. After 25 years of serving the traveling public, Bruce and his wife

Lori purchased a central reservations business, which books lodging, destination activities, and vacation packages for individuals and groups traveling to the southwest Colorado region. Achieving success in this multimillion-dollar tourism operation hasn't happened by accident. Intensive employee training focused on the highest quality customer service and constant technology investments (over \$100,000 in just one year) keep Gateway Reservations (<http://www.gatewayreservations.com>) on the cutting edge of service delivery.

As you approach the study of tourism, let your imagination soar, learning all you can to prepare yourself to grow as your career advances. Like Bruce, who earned two degrees in hospitality/tourism management and continues to maintain his Certified Hotel Administrator (CHA) designation, never stop learning. The opportunities that await you are endless.

## Introduction

Welcome to the study of a dynamic group of industries that have developed to serve the needs of travelers worldwide—**tourism**! Tourism is the **business** of hospitality and travel. Whether we are travelers or we are serving travelers' needs, this exciting and demanding group of visitor services industries touches all of our lives. In this book, you will explore the many and varied segments of this multifaceted industry. As you learn more about tourism, begin thinking about the future challenges and opportunities that lie ahead for all of these industries and how they may influence your life.

## Services and Tourism

**Services** and tourism go hand in hand. You will learn more about services in Chapter 3. However, as we begin our study of tourism, it is important to know that these activities make a significant economic impact on almost every nation in the world! Services are growing at a faster rate than all agricultural and manufacturing businesses combined. In fact, tourism-related businesses are the leading producers of new jobs worldwide.

Tourism has developed into a truly worldwide activity that knows no political, ideological, geographic, or cultural boundaries. For a long time, tourism was disparate and fragmented, but as this industry has continued to grow and mature, a sense of professional identity has emerged. It has formed lobbying groups such as the World Travel and Tourism Council (WCTT), which includes executives of airlines, hotel chains, and travel agents among its members and concentrates on making the case for tourism's global importance and economic value. The future prospects for tourism are brighter than ever as people continue to travel for work or pleasure. "Given its historical performance as a luxury good during expansions and a necessity during recessions, travel and tourism's future economic prospects look quite bright" (p. 51).<sup>1</sup> As we will see later, the growth and popularity of tourism activities have not been accidental. Growth projections indicate that tourism will support almost 350 million jobs worldwide by 2025. This will be an increase of over 70 million jobs when compared to 2015.<sup>2</sup>

Tourism has become more than just another industry; it has developed into an important part of the economic fabric of many communities, regions, and countries. Tourism activities have historically demonstrated a general upward trend in numbers of participants and revenues. Tourism is one of the few industries that is sensitive to economic ups and downs, and yet at the same time rebounds quickly from any negative economic conditions or other environmental impacts. Even in the face of a dramatic credit crunch, an economic slump, and political uncertainty, the impact on international tourism was not as severe as the downturn experienced in foreign trade and industrial production.<sup>3</sup> "Over the past six decades, tourism has experienced continued expansion and diversification, to become one of the largest and fastest-growing economic sectors in the world" (p. 2).<sup>4</sup>

## What Is Tourism?

As tourism-related activities have grown and changed, many different definitions and ways of classifying the industry have emerged. Use of the term *tourism* has evolved as attempts have been made to place a title on a difficult-to-define group of naturally related service activities and participants. As we embark on our study of tourism, it is helpful to begin with a common definition that has been accepted for decades: “the temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created to cater to their needs.”<sup>5</sup>

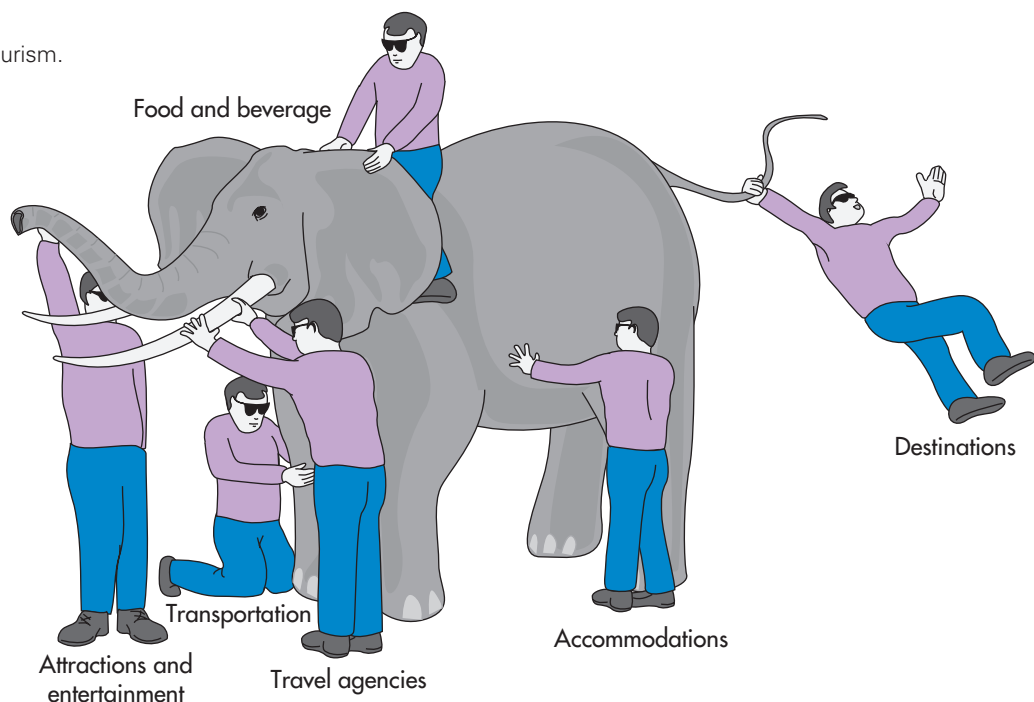
As our definition shows, tourism includes a wide array of people, activities, and facilities, and most people would agree that it is a unique grouping of industries that are tied together by a common denominator—the traveling public.

Can you describe tourism in your own words? Take a moment to think about this question. You might find it easy to answer this question in general terms, but more difficult to answer if you were asked to provide specific details. In fact, you might find yourself facing a task similar to the one depicted in Figure 1.1. Tourism is much like the elephant: diverse and sometimes hard to describe, but, just like the elephant, too big to be ignored.

Specific segments of tourism, such as air transportation, theme parks, eating and drinking establishments, lodging and accommodations, and museums, have their own industrial classification codes in every industrialized country. However, the overall grouping of related activities and organizations that come together to create the more comprehensive tourism industry does not have its own distinctive industry code. To address this concern organizations such as the WTTC and the United Nations World Tourism Organization (UNWTO) have spearheaded efforts to highlight the breadth and economic impact of tourism. Even though tourism may not be classified as a distinct industry, it is generally agreed that “[t]ourism” appears to be becoming an acceptable term to singularly describe the activity of people taking trips away from home and the industry which has developed in response to this activity.”<sup>6</sup>

**FIGURE 1.1**

The blind men and tourism.



**Table 1.1** Components of the Tourism Industry

Accommodation Services	Food and Beverage Services
Railway Passenger Transport Services	Road Passenger Transport Services
Water Passenger Transport Services	Air Passenger Transport Services
Transport Equipment Rental Services	Travel Agencies and Other Reservation Services
Cultural Services	Sport and Recreational Services
Country-Specific Tourism Goods	Country-Specific Tourism Services

*Based on:* International Recommendation for Tourism Statistics 2008, UNWTO, 42.

Both the WTTC and UNWTO track and report tourism statistics to highlight the size, scope, and impact of tourism-related businesses. Comparable data from around the world is made possible through the use of a common definition of tourists or visitors. As defined by UNWTO, tourism is a social, cultural, and economic phenomenon, which entails the movement of people to countries and places outside their usual environment for personal or business/professional purposes. These people are called visitors . . . and tourism has to do with their activities, some of which involve tourism expenditure.<sup>7</sup> The U.S. Travel Association has taken the commonly agreed upon definition of tourism and restricted its scope by defining these activities as trips away from home of 50 miles or more, one way, or trips that include an overnight stay in paid accommodations.<sup>8</sup>

By using a common umbrella definition, data can be collected and analyzed for each of the industry subgroupings shown in Table 1.1 in [Tourism Satellite Accounts](#).

Even as the debate continues for a common definition, it has been suggested that the definition be expanded to include the concept of displacement. This inclusion would expand the definition to capture, “the decision of tourists to leave the familiar behind in order to participate in something new” (p. 122).<sup>9</sup> Because definitions conjure up different meanings and can be used for different purposes, some critics have suggested using a term other than *tourism* to describe the industry. One of these suggestions has been to use a more inclusive and descriptive term such as “visitor-service industry.”<sup>10</sup> For convenience and ease of understanding, however, we will refer to tourism as an industry in this book.

## A Tourism Model

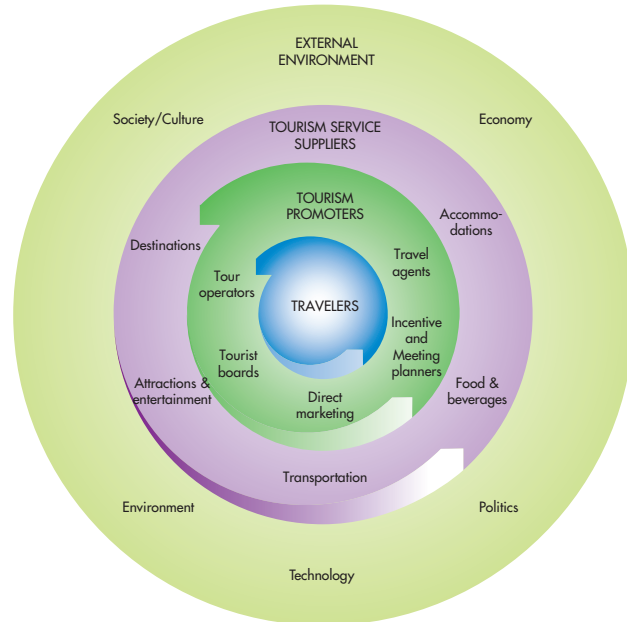
In an attempt to overcome some of the problems encountered in describing tourism, the [model](#) presented in Figure 1.2 was developed to highlight important participants and forces that shape the tourism industry. The model, like a photograph, provides a picture that begins to capture the dynamic and interrelated nature of tourism activities. This model can be used as a reference throughout the entire text. Although many of the terms in our tourism model may not be familiar at this time, you will be learning more about each one and its importance in later chapters.

As you study our tourism model, notice its open nature and how each of the segments is related to the others. Let’s begin our study of tourism by looking at travelers (tourists), who serve as the focal point for all tourism activities and form the center of our model. Radiating from this focal point are three large bands containing several interdependent groups of tourism participants and organizations.

Individual tourists may deal directly with any of these tourism service suppliers, but they often rely on the professional services provided by tourism promoters shown in the first band of our model. Tourism promoters, such as travel agencies and tourist

**FIGURE 1.2**

An integrated model of tourism.



boards, provide information and other marketing services. Moving to the next band of our model, we see key tourism suppliers who provide transportation, accommodations, and other services required by travelers.

Tourism suppliers may provide these services independently; they may compete with each other; and, at times, they may work together. For example, airline, bus, railroad, cruise ship, and car rental companies may compete individually for a traveler's business. However, they may also team up to provide cooperative packages such as fly-ride, fly-cruise, and fly-drive alternatives. Or, as airlines have discovered, they must establish strategic alliances with many other carriers to provide seamless travel across states, nations, and continents. Hotels and resorts may also compete against each other for the same traveler's patronage yet cooperate with transportation providers to attract tourists to a specific location. Service providers representing all segments of the tourism industry may often work together to develop promotional packages designed to attract tourists to destinations.

How closely these individuals and organizations work together is ultimately influenced by the forces shaping the face of tourism activities. As our model shows, the tourism industry does not operate in a vacuum. All of the participants, either individually or as a group, are constantly responding to a variety of social/cultural, political, environmental, economic, and technological forces. These forces may range from subtle changes, which are noticeable only after many years, to more dramatic changes, which have immediate and visible impacts. Examples of these forces can be found all around us.

Gradual changes may be noticed in destinations that were once fashionable but eventually faded in popularity, such as Niagara Falls on the Canadian/U.S. border and Brighton in England. Similar shifts can also be seen in transportation. Steamship passage across the North Atlantic was eclipsed by the faster and more efficient airplane, which opened new horizons for travelers. Immediate impacts can be seen in sudden shifts brought about by currency devaluations, wars, fuel shortages, natural disasters, and economic conditions.<sup>11</sup> Rapid adoption of new technologies such as the Internet can have immediate and far-reaching impacts on tourism activities and service providers. A country that was once avoided may suddenly become a popular tourism destination because it is more affordable or accessible. Conversely, a once-popular destination may be avoided because of a recent natural disaster or political upheaval.



The number of travelers from and to nations also varies dramatically due to political and economic changes. Through the year 2020, Europe will continue to see the largest number of tourist arrivals followed by East Asia and the Pacific and then the Americas. At the country level, China will be the largest tourist receiving country by 2020, surpassing France, and the United States.<sup>12</sup> Now that China has developed a sizable middle class due to its economic growth, it has become the biggest Asian nation in terms of outbound travelers and a domestic market that is growing 15% to 20% a year.<sup>6,13</sup>

Let's look at how our model might work. Suppose you (a tourist) want to visit a sunny beach or a snow-covered mountain. You might begin planning your trip by browsing the websites of different airlines, condominiums, hotels, and/or resorts (tourism service suppliers) searching for possible flight schedules and accommodation options. You could simply call a travel agent (tourism promoter) who would search out the best alternatives to meet your needs, rather than spending time and money contacting each supplier. Another option would be taking a "virtual trip" to your desired destination by browsing offerings on the Internet. Finally, you could contact your preferred destinations' local chambers of commerce or visitors' bureaus to learn more about their offerings.

As you progress through this book, we will focus our attention on specific features of our model, learning more about each component and how it interacts with other components of the tourism industry. We will begin our journey into the study of tourism by looking back in time to discover the origins of these activities and the foundations they laid for tourism as we know it today.

## The History of Travel and Tourism

Table 1.2 lists some of the milestones in the development of tourism. Long before the invention of the wheel, travel occurred for a variety of reasons. In the beginning, it was simple. As seasons changed and animals migrated, people traveled to survive. Because these early travelers moved on foot, they were confined to fairly small geographic areas. Travel may have remained a localized experience, but people by nature are curious. It is easy to imagine these early travelers climbing a mountain or crossing a river to satisfy their own sense of adventure and curiosity as they sought a glimpse of the unknown.

We can only guess at the wonder and amazement of early travelers as they made each new discovery. However, there is a rich history of people and cultures that forms the foundation of tourism. History provides important insights into the reasons for travel and the eventual development of tourism. Based on early records, we know that many cultures and nations moved great armies and navies to conquer and control resources and trade routes. Although military forces often traveled great distances, it was probably not until the emergence of the Egyptian, Eastern Mediterranean, and Roman Empires that travel began to evolve into tourism as we know it today.

Early recorded history provides a glimpse into ancient tourism activities. The Phoenicians, like many travelers, were interested in travel because of a sense of curiosity and discovery as well as a means of establishing trade routes. Although written records are scarce, other peoples such as the Mayans on the Gulf Coast of what is now Mexico and the Shang Dynasty in what is now present-day China probably traveled for many of the same reasons as the Phoenicians. Evidence of their travels can be found in the artifacts they collected during their journeys to faraway places. One thing we know for sure is that as civilizations became established and spread geographically, travel became a necessity.

### The Empire Era

The point at which simple travel evolved into the more complex activities of tourism is hard to identify. However, tourism as an industry probably began to develop during the

**Table 1.2** Milestones in the Development of Tourism

Prerecorded history	Travel begins to occur out of a sense of adventure and curiosity.
4850 B.C.–715 B.C.	Egyptians travel to centralized government locations.
1760 B.C.–1027 B.C.	Shang Dynasty establishes trade routes to distant locations throughout the Far East.
1100 B.C.–800 B.C.	Phoenicians develop large sailing fleets for trade and travel throughout their empire.
900 B.C.–200 B.C.	Greeks develop common language and currency, and traveler services emerge as city-states become destinations.
500 B.C.–A.D. 300	Romans improve roads, the legal system, and inns to further travel for commerce, adventure, and pleasure.
A.D. 300–A.D. 900	Mayans establish trade and travel routes in parts of Central and North America.
A.D. 1096–A.D. 1295	European travel on failed religious crusades to retake the Holy Lands from Muslim control introduces these military forces to new places and cultures.
A.D. 1275–A.D. 1295	Marco Polo's travels throughout the Far East begin to heighten interest in travel and trade.
14th–16th centuries	Trade routes develop as commercial activities grow and merchants venture into new territories.
A.D. 1613–A.D. 1785	Grand Tour Era makes travel a status symbol for wealthy individuals seeking to experience cultures of the civilized world.
18th–19th centuries	Industrial Revolution gives rise to technological advances, making travel and trade more efficient and expanding markets; increasing personal incomes make travel both a business necessity and a leisure activity.
1841	Thomas Cook organizes first group tour in England.
1903	Wright Brothers usher in era of flight with the first successful aircraft flight.
1913	Westinghouse Corporation institutes paid vacations for its workers.
1914	Henry Ford begins mass production of the Model T.
1919	First scheduled airline passenger flight debuts between London and Paris.
1945	World War II ends and ushers in new era of prosperity, giving rise to millions of people with the time, money, and interest to travel for pleasure and business.
1950	Diners Club introduces the first credit card.
1952	Jet passenger service is inaugurated between London and Johannesburg, South Africa.
1950s	Rapid expansion of hotel and motel chains in the United States via franchise agreements.
1978	Competition on routes and fares begins with signing of Airline Deregulation Act.
1978	American Airlines expands access to electronic reservation system, SABRE, to travel agencies.
1984	The State Council of China approves the organization of tours to Hong Kong and Macao for mainland residents visiting relatives, which was the prelude to the outbound tourism of Chinese citizens.
1996	Expedia is founded as a division of Microsoft.
2000	TripAdvisor is founded.
2001	Dennis Tito launches the advent of space tourism as he pays \$20 million for an eight-day vacation aboard the International Space Station.
2001	Transportation Security Administration (TSA) in the United States is created to ensure airline passenger safety in the wake of the September 11th terrorist attacks on the World Trade Center in New York City and the Pentagon in Washington, D.C.
2002	The euro currency is introduced, signaling liberalization of travel among member nations of the European Union.
2004	Mark Zuckerberg, a Harvard student, launches a social networking service Facebook.com.
2007	Air Bed and Breakfast (AirBnB) launched, signaling a wave of new services such as Uber and an expanding sharing economy in tourism services.
2011	Google provides an online flight-booking service, Google Flights, to public.

Empire Era, which stretched from the time of the Egyptians to the Greeks and finally came to an end with the fall of the Roman Empire. During this time, people began traveling in large numbers for governmental, commercial, educational, and religious purposes out of both necessity and pleasure. The Egyptian Kingdoms (4850–715 B.C.) were the first known civilization to have consolidated governmental functions at centralized locations. Travel to these locations by boat was particularly easy because travelers could use the Nile River, which flowed northward but was constantly brushed by southward breezes. Because oars were not needed, travel in either direction was relatively effortless. Boats could go north with the current or south with sails.

As travel became commonplace, basic necessities such as food and lodging had to be provided. Several factors combined to encourage travel during the height of the Egyptian, Greek, and Roman Empires. Large numbers of travelers began to seek out enjoyable experiences in new locations. The most notable group of these travelers, because of their numbers, was the Greeks.

The Greek Empire (900–200 B.C.) promoted the use of a common language throughout much of the Mediterranean region, and the money of some Greek city-states became accepted as a common currency of exchange. As centers of governmental activities, these city-states became attractions in themselves. They offered visitors a wide variety of opportunities to enjoy themselves while away from home. Shopping, eating, drinking, gaming, and watching spectator sports and theatrical performances are just a few of the many activities that grew out of travel and evolved into the more encompassing aspects of tourism.

The growth of the Roman Empire (500 B.C.–A.D. 300) fostered expanded tourism opportunities for both middle-class and wealthy citizens. Good roads (many of which were built to connect the city of Rome to outlying areas in case of revolt) and water routes made travel easy. As these roads were developed, so were inns, which were located approximately 30 miles apart, making for a day's journey. Fresh horses could be hired at the inns and at more frequent relay stations. With effort, people could travel 125 miles a day on horseback, knowing they would have a place to eat and sleep at the end of the day. These roads, which connected Rome with such places as Gaul, Britain, Spain, and Greece, eventually extended into a 50,000-mile system. The most famous road was the Appian Way, joining Rome with the “heel” of Italy.

Many of the hassles of travel to distant places were removed because Roman currency was universally accepted and Greek and Latin were common languages. In addition, a common legal system provided protection and peace of mind, allowing people to travel farther away from home for commerce, adventure, and pleasure. Just like the Greek city-states, cities in the Roman Empire became destination attractions or way-side stops along the way to a traveler's final destination.

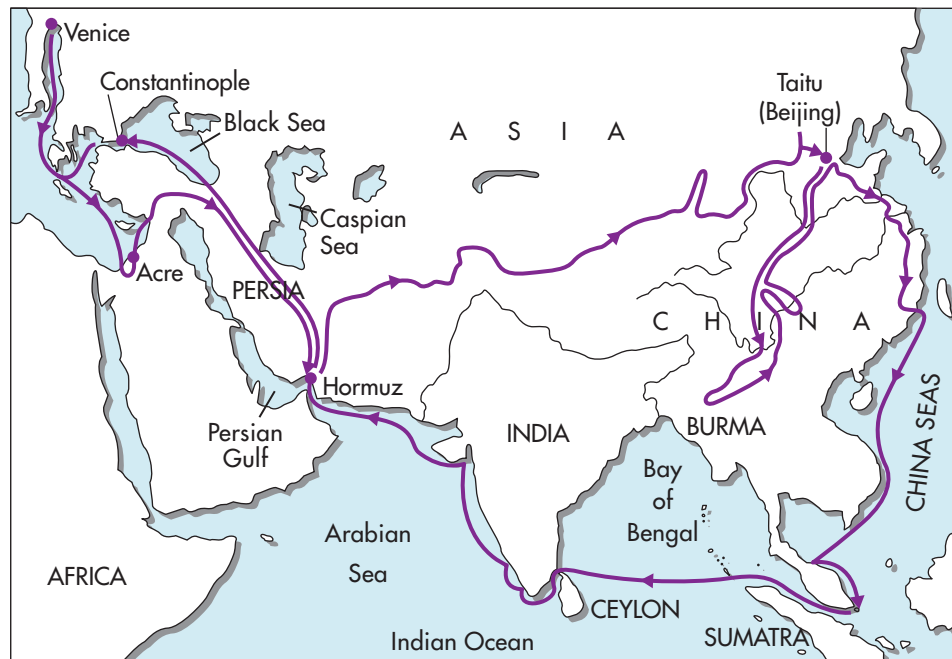
Has this brief glimpse into ancient history taught us anything of use today? The answer is yes. Even today, tourism activities continue to flourish where individuals have free time; travel is easy and safe; there are easily exchangeable currencies; common languages are spoken; and established legal systems create a perception of personal safety. The absence of any of these factors can dampen people's desire to travel and enjoy tourism-related activities, as can be seen in the demise of travel during the Middle Ages.

## The Middle Ages and the Renaissance Era

Travel almost disappeared during the Middle Ages (5th–14th centuries A.D.). As the dominance of the Roman Empire crumbled, travel became dangerous and sporadic. The **feudal system** that eventually replaced Roman rule resulted in many different autonomous domains. This breakdown in a previously organized and controlled society resulted in the fragmentation of transportation systems, currencies, and languages, making travel a difficult and sometimes dangerous experience.

**FIGURE 1.3**

Marco Polo's travel route from his home in Venice, Italy, to China during the 13th century.



As the Roman Catholic Church gained power and influence, people began to talk of Crusades to retake the Holy Land. There were nine of these Crusades (A.D. 1096–1291), but each failed. In 1291, Acre, the last Christian stronghold, was retaken by the Muslims, bringing the Crusades to an end. Although conquest and war were the driving forces behind the Crusades, the eventual result was the desire of people to venture away from their homes to see new places and experience different civilizations.

After the Crusades, merchants such as Marco Polo traveled to places well beyond the territories visited by the Crusaders (see Figure 1.3). Reports of Polo's travels and adventures (1275–1295) across the Middle East and into China continued to heighten interest in travel and trade. The rebirth in travel emerged slowly during the Renaissance (14th–16th centuries). Merchants began to venture farther from their villages as the Church and kings and queens brought larger geographic areas under their control. Trade routes slowly began to reopen as commercial activities grew and merchants ventured into new territories.

The idea of traveling for the sake of experiences and learning can probably be attributed to the first recorded “tourist,” Cyriacus of Ancona. His journeys took him around the Mediterranean Sea in a quest to learn more about and experience Greek and Roman History.<sup>14</sup> The desire to learn from and experience other cultures heightened awareness of the educational benefits to be gained from travel and led to the Grand Tour Era.

## The Grand Tour Era

The Grand Tour Era (1613–1785), which marked the height of luxurious travel and tourism activities, originated with the wealthy English and soon spread and became fashionable among other individuals who had time and money. Travel, and the knowledge provided by these travels, became a status symbol representing the ultimate in social and educational experiences. Grand Tour participants traveled throughout Europe, seeking to experience the cultures of the “civilized world” and acquire knowledge through the arts and sciences of the countries they visited. Their travels took them to a variety of locations in France, Switzerland, Italy, and Germany for extended periods of time, often stretching over many years.

Although the desire to participate in the Grand Tour continued, the Industrial Revolution, which began c. 1750, forever changed economic and social structures. Whole nations moved from an agricultural and commercial focus to modern industrialism. People became tied to the regimented structures and demands of factory life and the management of business enterprises. Economic growth and technological advances led to more efficient forms of transportation, the integration of markets across geographic and international boundaries, and higher personal incomes for larger numbers of people. Travel became a business necessity as well as a leisure activity, and tourism suppliers rapidly developed to serve the growing needs of travelers. The days of leisurely travel over extended periods of time to gain cultural experiences faded away as fewer and fewer people were able to take advantage of these time-consuming opportunities.

## The Mobility Era

Growing economic prosperity and the advent of leisure time as well as the availability of affordable travel ushered in a new era in the history of tourism. People who were no longer tied to the daily chores of farm life began to search for new ways to spend their precious leisure time away from their jobs in offices, stores, and factories.

The Mobility Era (1800–1944) was characterized by increased travel to new and familiar locations, both near and far. Tourism industry activities began to increase as new roads, stagecoaches, passenger trains, and sailing ships became common sights in the early 1800s. Great Britain and France developed extensive road and railroad systems well before Canada and the United States. The growth and development of roads and railroads helped to increase the availability of transportation alternatives and reduced their costs, attracting more and more people to the idea of travel.

Thomas Cook (1808–1892) can be credited with finally bringing travel to the general public by introducing the tour package. In 1841, he organized the first tour for a group of 570 people to attend a temperance rally in Leicester, England. For the price of a shilling (12 pence), his customers boarded a chartered train for the trip from Loughborough, complete with a picnic lunch and brass band. The immediate success of his first venture and the demand for more assistance in making travel arrangements led Cook into the full-time business of providing travel services.

The next major steps in the Mobility Era were the introduction of automobiles and air travel. Although automobile technology was pioneered in Britain, France, and Germany, it was Henry Ford's mass production of the Model T in 1914 that brought individual freedom to travel, opening new horizons for millions of people. Winged travel was not far behind, and the time required to reach faraway places began to shrink. Orville and Wilbur Wright ushered in the era of flight with their successful test of the airplane in Kitty Hawk, North Carolina, in 1903.

## The Modern Era

But the means of mobility and an interest in seeing new places were not enough. The seeds of **mass tourism** were planted during the first half of the 20th century when industrialists such as George Westinghouse created the paid vacation, believing that annual breaks from work for employees would increase productivity. The working and middle classes in industrialized countries thus were given the financial means and the time to satisfy their newfound wanderlust. Indeed, at the dawn of the 21st century, most workers in virtually all industrialized nations have several weeks of vacation time that they may choose to spend traveling.

Mass tourism received an additional boost after World War II (which ended in 1945). During this war, millions of people throughout the world, including over 17 million Canadian and U.S. citizens, were exposed to many new, different, and even exotic locations as they served in a variety of military assignments. Military service

## FYI ALL WORK AND NO PLAY

Forgo vacation time? You would have to be crazy, right? Well, many Americans and Brits work insane hours and frequently skip their allotted paid vacation periods. Nearly one-quarter of self-confessed workaholics in Great Britain take not a single day's "holiday" of the 24 days they earn during the year. Ten percent of workers who work over 48 hours per week also forgo vacation breaks, whereas another 22% of these

"long hours workers" take ten days or less. In the United States, a Harris poll revealed that 51% of Americans did not plan to take an annual vacation even though they had earned an average of 14 days. In contrast, workers in France on average forgo only 3 of the 36 days they earn each year. Human resource experts believe that vacation time is necessary for workers to be productive, and they believe that the

U.S. federal government should mandate paid vacation days just as many European countries do. Believe it or not, President William Taft (1909–1913) proposed that all workers should be given two or three months off each year! Yet, the United States is still the only advanced economy that does not require any mandatory vacation time.

*Sources:* Based on All work and no holidays (2002). *Management Services*, 46(2), 5; Bellows, K. (2003). Too little play time. *National Geographic Traveler*, 20(8), 18; Allegretto, S., and Bivens J. (2006, July–August). *Foreign Policy*, 26–27. Dickey, J. Save our vacation, (June 1, 2015) *Time* 180(20). Save our vacation, 44–49.

forced many people who had never traveled before to do so, and they were eager to share their positive experiences with family and friends when they returned home.

Following the end of World War II, several additional factors helped encourage the growth of tourism. Cars were again being produced in large numbers; gas was no longer rationed; and prosperity began to return to industrialized countries. As American families travelled around the country in cars, the motel business began to boom. Also in the 1950s, hotels and motels expanded quickly through the newly adopted franchising development model. The introduction of jet travel in the 1950s and its growing popularity in the 1960s further accelerated growth in both domestic and international travel. To grease the gears of the tourism industry even further, in 1950, the credit card was born in the form of the Diners Club card. Credit cards provided travelers with purchasing power anywhere in the world without the risk of carrying cash and the hassle of currency exchange. In fact, credit cards are now the preferred form of international buying power because travelers can charge their purchases in the local currency. Time, money, safety, and the desire to travel combined to usher in an unparalleled period of tourism growth that continues today.

The 20th-century phenomenon that came to be known as mass tourism now includes two different groups of travelers.<sup>15</sup> These groups are classified as organization mass tourists who buy packaged tours and follow an itinerary prepared and organized by tour operators. The second group is classified as individual mass tourists. These travelers visit popular attractions independently but use tourism services that are promoted through the mass media. In addition, many travelers are now seeking more than just going to a destination to be able to say "been there, done that." They have a desire to become truly immersed in all the destination has to offer and when able to, give back through educational and volunteer programs.

Well into the 21st century, the tourism industry has proven to be full of opportunities and challenges. Widespread Internet access, opening of previously closed international borders, and increased wealth and mobility of citizens in increasingly industrialized countries such as China and India are opening new venues for travelers and providing millions more potential tourists. Even countries such as Vietnam and Cuba that were once off limits to U.S. travelers are experiencing explosive tourism growth. However, the future is not completely rosy for tourism. Terrorism, political and economic instability, and health scares have discouraged travel. Increased security efforts have also meant increased hassles and time constraints for travelers at airports, borders, and attractions. Only time will tell what the future holds for us, as tourism industry members and as consumers of tourism services.



This has been just a brief journey through some of the changes that have led to the growth of tourism. In later chapters, we will explore more of the historical details and importance of each of these changes as well as some of the more recent factors that have shaped the tourism industry.

## Bringing Tourism into Focus

The continued growth in tourism and, more specifically, international travel may well make tourism the world's peace industry. "As we travel and communicate in ever-increasing numbers, we are discovering that most people, regardless of their political or religious orientation, race, or socioeconomic status, want a peaceful world in which all are fed, sheltered, productive, and fulfilled."<sup>16</sup>

Our methods of transportation have definitely improved, and the distances we can cover in relatively short periods have greatly expanded, but the sense of curiosity and adventure found in those early travelers is still with us today. However, travel today is more than just adventure, and it has spawned an entire group of service industries to meet the needs of tourists all over the world.

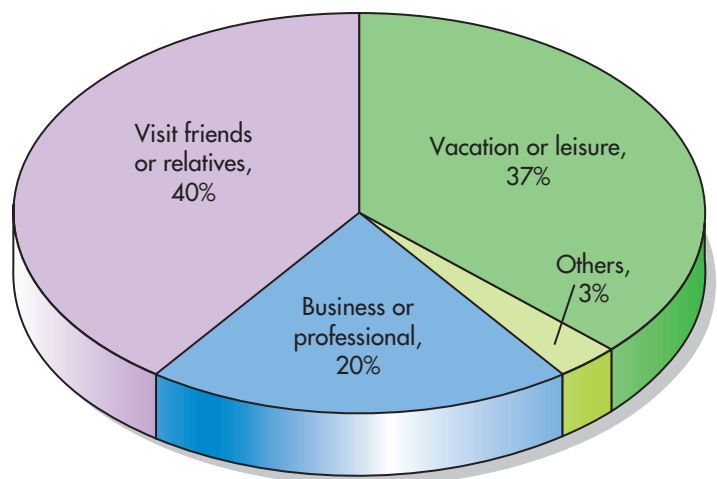
Where people travel, why they choose a particular location, and what they do once they arrive are of interest to everyone in the tourism industry. These data are now collected and recorded based on the reasons given for taking trips. The primary reasons for travel can be broken into three broad categories: vacation and **leisure travel**, visits to friends and relatives (called **VFR** in the tourism industry), and **business** or **professional travel** (see Figure 1.4). Travel in all of these categories creates demands for other tourism activities.

Travel and tourism have now become so commonplace in industrialized countries that we may fail to think about what has made these activities possible. If you think about it, tourism affects all of our lives and is intertwined throughout the entire fabric of a **host community**, region, or country. Tourism can be viewed and studied from a variety of perspectives. In addition to geography and the commonly studied business disciplines of marketing, management, and finance, other disciplines often included in the study of tourism are:

- Anthropology
- Sociology
- Economics
- Psychology

**FIGURE 1.4**

Typical reasons for travel. The percentages of trips in each category may vary from year-to-year, but they are relatively constant over time. Business or professional: 20%; Visit friends or relatives: 40%; Vacation or leisure: 37%; Others: 3%. *Source:* Travel Facts and Statistics. U.S. Travel Association (2010).



Each of these perspectives provides important insights into tourism activities and raises a variety of questions. Some of the more commonly asked questions that could help us understand travel, tourism, and tourists include:

- Who are these visitors?
- Why do they travel?
- Where do they travel?
- What are their concerns when they travel?
- What are their needs when they travel?
- What forms of transportation do they use?
- Where do they stay?
- What do they do when they travel?
- Who provides the services they need?
- What impact do they have on the locations they visit?
- What types of career opportunities are available in this industry?

These and many other questions point to the need to study tourism.

Casual or commonsense approaches to answering these questions will not prepare us to meet the needs of tomorrow's visitors. Rather than studying tourism from only one perspective, throughout this book you will have the opportunity to learn from multiple perspectives. You will learn more about tourism in general, the segments of the tourism industry, and the key issues facing tourism.

Technology continues to have an unprecedented effect on the tourism industry. For example, the Internet has inexorably changed the way tourism services are sold and automation is being adapted for new uses. Throughout the chapters of this text, we will highlight how technology is affecting the service landscape. Technology plays such an important role in the tourism industry that we will take a more in-depth look at these impacts in Chapter 5.

## Geography Describes the Traveler's World

Travel is a key component in all tourism activities; therefore, a basic understanding of geography can enrich our understanding of the tourism industry. As a future tourism professional, you may find yourself working in a position requiring more than just a basic understanding of geography. Careers in travel agencies, tour operations, airlines, car rental companies, rail and bus companies, cruise lines, travel publishing, and cartography are just a few examples of where geographic knowledge may be considered important. If you see yourself in any of these careers or just want to be a more informed traveler, join us as we journey through this section and learn how geography provides a window to the world.

Take a look at what *National Geographic Traveler* calls the world's greatest destinations (see Table 1.3). How does geography play a role in defining these special places? Are they the same or different? Are they near or far? Are they rural or urban? Let your imagination roam, and take a moment to locate each of these distinct destinations on a map. What makes these destinations special?

Now that you have located these destinations, see whether you can answer these basic questions. How do you get to these locations? Based on climatic conditions, when would be the best time to visit? What would you see and experience once you arrive? A thorough understanding of geography gives you the confidence to answer these questions and meet travelers' needs.

**Table 1.3** Fifty Places of a Lifetime

African Continent	Antarctica	Asian Continent
Pyramids of Giza	The entire continent	Istanbul
Sahara	<b>North American Continent</b>	Acropolis
Serengeti	Canadian Rockies	Jerusalem
Seychelles	Boundary Waters	Petra
<b>European Continent</b>	Canadian Maritimes	Great Wall of China
English Lake District	San Francisco, CA	Japanese Ryokan
Coastal Norway	Big Sur, CA	Taj Mahal
London	Mesa Verde, CO	Hong Kong
Paris	Grand Canyon, AZ	Danang to Hue
Loire Valley	Vermont	Angkor
Barcelona	New York	Kerala
Amalfi Coast	British Virgin Islands	Outer Space
Vatican City	<b>Oceania</b>	An infinite frontier
Tuscany	Papua New Guinea Reefs	
Venice	Outback	
Alps	North Island, New Zealand	
Greek Islands	Hawaiian Islands	
<b>South American Continent</b>	Galápagos Islands	
Tepuis		
Amazon Forest		
Machu Picchu		
Rio de Janeiro		
Torres del Paine		

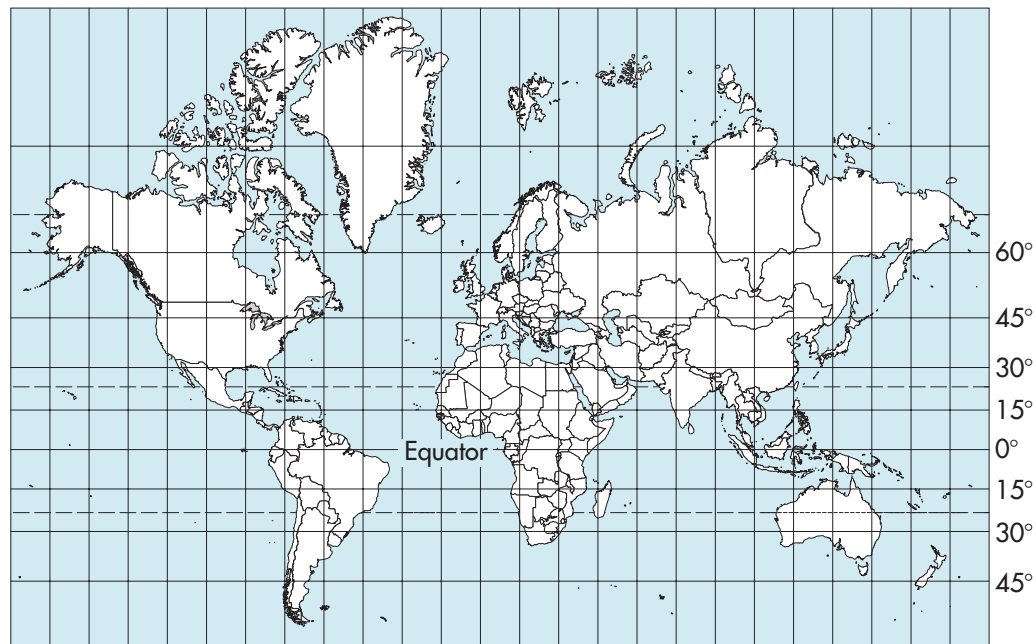
## Maps

What better place to start studying geography than with *maps*? For centuries, maps have played a role in traveler's plans and adventures. But, what are maps?

"Since classical Greek times, curiosity about the geographical landscape has steadily grown, and ways to represent it have become more and more specialized. Today there are many kinds of mapmaking, ...."<sup>17</sup> Globes, photo maps, trail maps, topographical maps, satellite image maps, and street guides should come to mind when you think of maps and how to read them understanding basic **cartography** notations. However, these are only a few examples; other types of maps are also commonly encountered. Mall diagrams, airport layouts, and even stadium and concert seating diagrams are all forms of maps. "Like a model automobile or ship, a map is a scale model of the real world, made small enough to work with on a desk or computer."<sup>18</sup>

No matter how large or small, maps show you where you are and how to get to where you want to be. Today, maps serve a variety of tourism purposes, as they are created to depict scale models of reality and convey important information to users. For smaller locations such as airports, theme parks, and historic districts, mapmaking (technically plans) is fairly simple. However, for expansive areas such as continents or countries, mapmaking is not quite as simple.

The Earth is a sphere, so the most accurate map of the world is a globe; but carrying around a sphere that is big enough to provide any level of detail is a physical impossibility. So, although these spheres make attractive conversation pieces and let

**FIGURE 1.5**

Mercator projection. Source: Semer-Purzycki, Jeanne, *Travel Vision: A Practical Guide for the Travel, Tourism and Hospitality Industry*, 1st Ed., © 2009, p. 47. Reprinted and Electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, NJ.

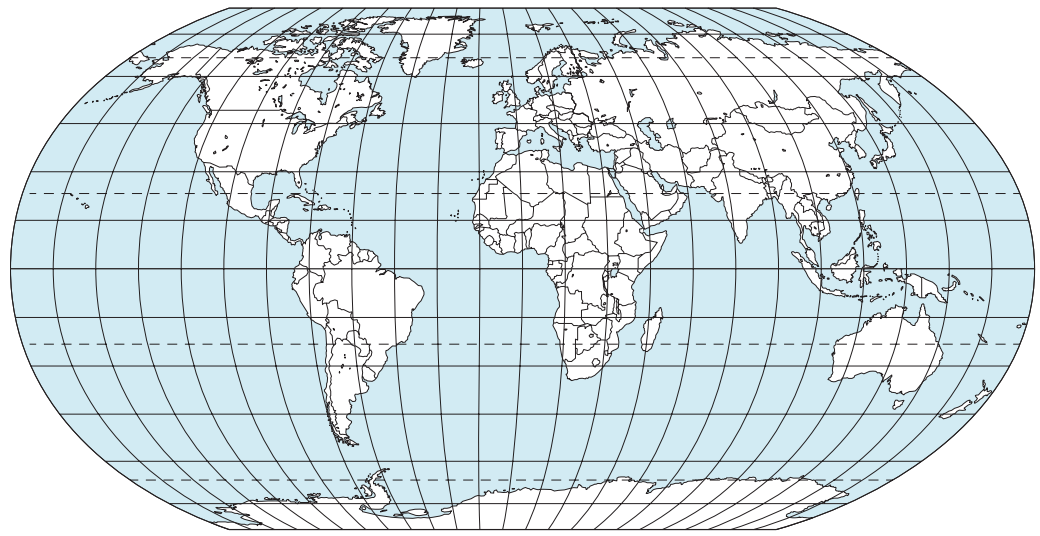
us visualize the complexity of our world, they are not very practical travel companions. For practical purposes, maps must be flat, which results in distortion, meaning features don't appear exactly as they are when large areas are involved no matter how they are drawn. The most common of these representations is the *Mercator projection* (see Figure 1.5), and like most early maps, it was developed for navigation purposes.

In addition to the Mercator projection, two other representations of the world are used. One is the *Robinson projection* (see Figure 1.6) and the other is *Goode's homolosine projection* (see Figure 1.7). No matter what approach is taken to represent the Earth in a two-dimensional format, some distortion will occur. The Mercator projection distorts the Arctic and Antarctic regions, making them appear larger than they really are. For example, Greenland appears to dwarf Australia, when in fact Greenland is only about one-fourth the size of Australia, having a landmass of 2,175,600 square kilometers compared with Australia's landmass of 7,617,931 square kilometers. The Robinson projection provides a more accurate view of the world, but it, too, results in some distortion, especially at the poles, which appear to be larger than they really are. Goode's homolosine projection, which resembles a flattened orange peel, creates the most accurate view of the Earth and creates the least amount of distortion. Because the world is round, whichever projection is used, the shortest distance between two points is not a straight line, but a curved one.

Current information technologies allow travelers access to maps in a number of different formats, including the traditional two-dimensional drawings, three-dimensional drawings, satellite images, and actual video images of the locations shot from the street. These can be accessed from computers or a number of mobile devices. The three-dimensional drawings simulate real view of the locations and reduce the two-dimensional challenge of distortion.

## Reading Maps

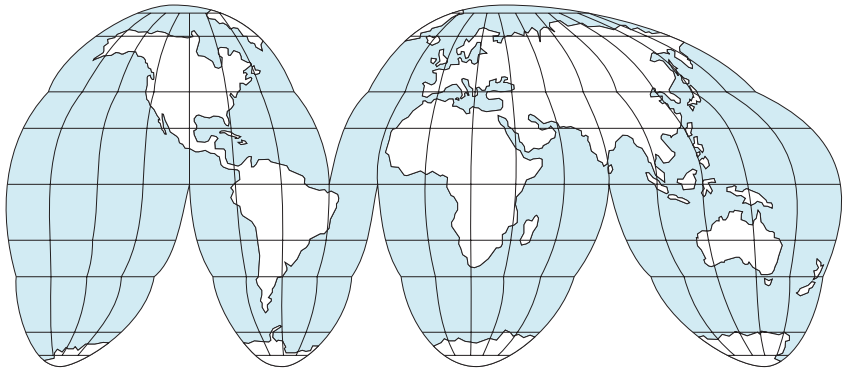
As the previous representations of the world show, not all maps are created alike. However, once you master the basic language of mapmaking, *cartography*, you can

**FIGURE 1.6**

Robinson projection. Source: Semer-Purzycki, Jeanne, *Travel Vision: A Practical Guide for the Travel, Tourism and Hospitality Industry*, 1st Ed., © 2009, p. 47. Reprinted and Electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, NJ.

**FIGURE 1.7**

Goode's homolosine projection. Source: Semer-Purzycki, Jeanne. *Travel Vision: A Practical Guide for the Travel, Tourism and Hospitality Industry*, 1st Ed., © 2009, p. 47. Reprinted and Electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, NJ.



interpret any map. Unlocking this information requires understanding of basic cartographic notations, that is, geographic grids (*longitude* and *latitude*), legends (symbols and colors), and indexes (location guides).

“Twenty-first-century maps are more than just maps—they are analytical tools referred to as geographic information systems (GIS) and are part of a larger field of study called geographic information science (GIScience).”<sup>19</sup> Every map has several things in common. They all will serve as a means of location. The most common means of determining location is via latitude and longitude. Every place on Earth can be located by knowing these two pieces of information.

Finding a location's latitude and longitude relies on two imaginary lines that divide the Earth. One is the *equator* located halfway between the North and South Poles. Distances moving north or south from this line are measured in degrees of latitude. The other imaginary line is the *prime meridian*, running north and south through Greenwich, England, and connecting the two poles. Distances moving east and west from this line are measured in degrees of longitude. These lines intersect at right angles, forming a grid (see Figures 1.5–1.7). So, you could locate Christchurch, New Zealand, on a map by knowing the coordinates, 43°32'S and 172°38'E; or if you were given the coordinates 44°57'N and 93°16'W, you would find Minneapolis, USA.

On the opposite side of the Earth from the prime meridian is the *International Date Line* separating east from west. This line is not a straight longitudinal line, but it corresponds fairly closely to 180° longitude, and just like the prime meridian, it extends from the North to the South Pole. This line has been set by international agreement and separates one calendar day from the next. Areas to the west of the International Date Line are always one day ahead of areas to the east. Therefore, Pacific Rim and Asian countries are one day ahead of the United States and Canada, and several hours ahead of European countries.

## Indexes and Locators

Some maps, such as diagrams of specific locations like road atlases, may not be so sophisticated as to have latitude and longitude. These maps may simply have indexes of locations listed alphabetically with map-specific grids or location indicators. Specific map locations are identified through the use of two index points such as A and 12. You would find A by looking down the left- or right-hand side of the map and 12 by looking across the top or bottom of the map. If the location is small, specific points of interest may be identified only by letters or numbers that correspond to locators on the outside border of the map. An airport layout is an example of a small-place diagram providing all the information travelers need to find their way around as they check in, change flights, or locate available services.

Second, maps will have locator information. These locators may be cardinal directions or compass points such as north, south, east, and west. If you are directionally impaired, it may help you to remember that up is north and down is south when using the North Pole as a reference point. The same holds true for left and right. Left is west and right is east. However, anytime you look at a map, always remember to orient (place) the map facing north so that you will have a common sense of direction.

## Scales

Maps are replicas of reality, so they must be smaller than the area depicted. Therefore, everything shown on a map must be proportional, which requires a map scale. The scale will be indicated on the map. Examples of scales may include notations such as 1" equals one mile or 1" equals ten miles. Scales may also be shown as graphic or bar scales. Figure 1.8 provides several examples of how scales may be used on maps.

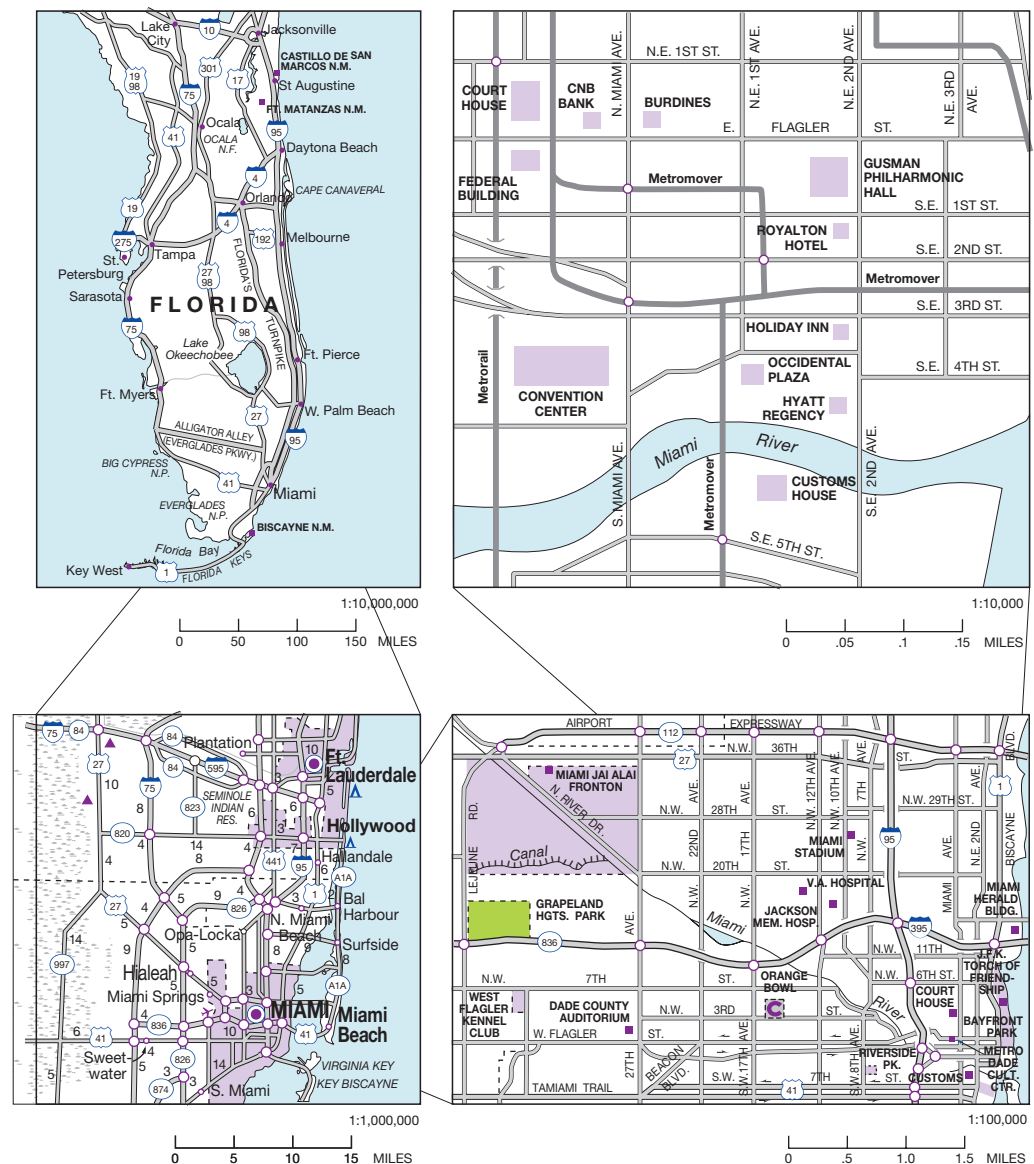
## Legends

Symbols or icons are often used on maps to indicate points of interest, services, and attractions. These legends save space, locating and drawing attention to everything from capital cities, roads, airports, marinas, and waterways to restaurants, museums, roadside parks, points of interest, and campgrounds. When searching for the legend, also take a look at the date the map was produced. The more recent the date, the more accurate the map should be. Finally, you may find several maps using similar notations grouped together in atlases.

Maps are important tools in geography, but there is more to geography than spinning a globe and placing your finger on Tibet or locating the home of the Taj Mahal. For tourism professionals, geography includes knowledge of the physical and human characteristics that influence travel activities.

Information provided through three broad categories of geography—physical, human (cultural), and regional—will enable you to learn more about locations around the world and to provide others with that information without ever having to visit those locations. Let's look at how you might use some of these basic geographical concepts in a variety of settings.



**FIGURE 1.8**

Map scale. The four maps show Florida (upper left), south Florida (lower left), Miami (lower right), and downtown Miami (upper right). The map of Florida (upper left) has a fractional scale of 1:10,000,000. Expressed as a written statement, 1 inch on the map represents 10 million inches (about 158 miles) on the ground. The bar line below the map displays the scale in a graphic form. Look what happens to the scale on the other three maps. As the area covered gets smaller, the maps get more detailed, and 1 inch on the map represents smaller distances. Source: Rubenstein, James M. *Cultural Landscapes: An Introduction to Human Geography*, 8th Ed., © 2005. Electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, NJ.

## Physical Geography

Knowledge of **physical geography** provides the means to identify and describe natural features of the Earth, including landforms, water, vegetation, and climate. When these natural features are combined, they create an environment that can either encourage or discourage tourism activities. For example, during winter months in the Northern Hemisphere, visitors might be attracted to snow-covered mountains for skiing or to



warm sun and sandy beaches for a break from the harsh realities of winter. As the seasons change, these same physical attributes could deter tourism. As the snow melts and mud appears, the mountains may lose their appeal. The same can be said for the once-sunny beaches as the rainy season arrives.

## Landforms and Vegetation

Landforms refer to the surface features of the Earth. *Relief maps* showing elevation changes provide quick clues to the many different types of landforms that may be encountered. Everything from continents and islands to mountains and valleys make up our physical world. Mountain ranges, the most significant landforms, not only create impediments to travel but also affect weather. As mountains stop moisture-bearing winds, one side will be wet and the other dry.

Vegetation or the lack of it (based on rainfall) creates the mantle that covers landforms. Whether it is a barren desert landscape, deep-dark forest, verdant grassland, or the stark reality of arctic tundra, the variations capture imaginations and attract visitors.

## Water

Most of the world (over 70%) is covered by water, and most of this water is saltwater; so it should come as no surprise that tourism professionals should know something about oceans, seas, gulfs, lakes, and rivers. These bodies of water are the playgrounds for today's cruise lines and river barges, but they were once the primary corridors of transportation. Because water transportation was the first means of moving large numbers of people and cargoes, it is easy to see how cities formed as people congregated around and along major bodies of water.

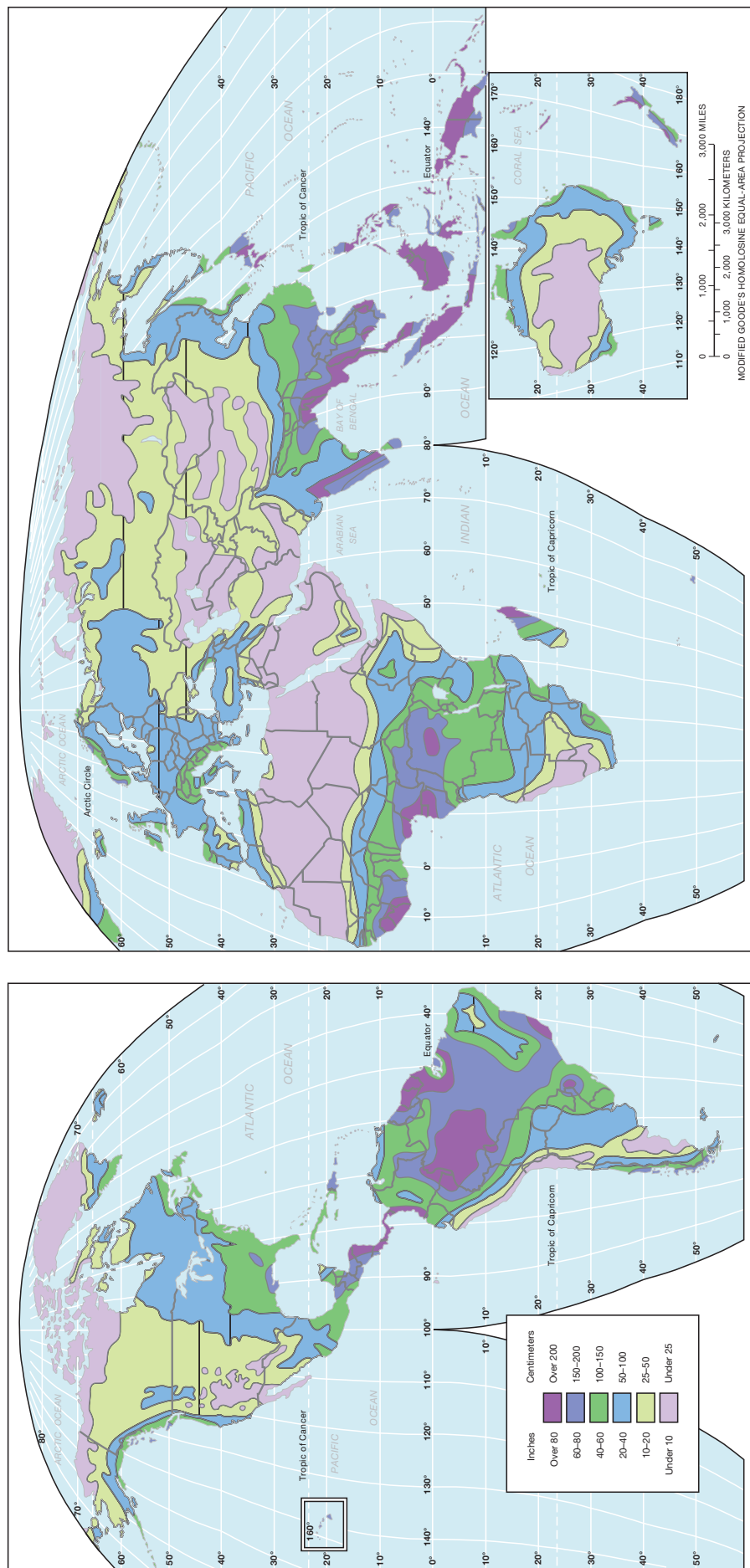
Even today, water, and especially water currents, can have dramatic impacts on land temperatures and the amount of moisture that falls. Ocean currents rotate clockwise in the Northern Hemisphere but counterclockwise in the Southern Hemisphere. Thus, the warm Atlantic currents of the Gulf Stream and the North Atlantic Drift keep Ireland and England green almost year-round even though both are located far north of the equator. Likewise, the cold waters of the Indian Ocean are still cool as they move north up the west coast of Australia (the West Australia Current). Even large inland bodies of water can significantly affect weather patterns. For example, the warmer temperatures of the Great Lakes produce large amounts of snow in the winter as warmer moisture from the lakes collides with the cold landmass. In addition to bodies of water, levels of precipitation (see Figure 1.9) affect population densities and tourism activities.

## Climate and Seasons

Meteorologists can fairly accurately predict short-term weather patterns. However, travel and tourism professionals should be able to describe general weather patterns for any location at any time of the year. Will it be rainy or snowy, sunny or cloudy, humid or dry, hot or cold? Geography provides the answers to these important and specific climatic questions.

Location, combined with season, will dictate long-term weather patterns. For example, a Caribbean cruise would make sense in December but would be questionable in September, the height of hurricane season. Likewise, an Alaskan cruise would be enticing in August, but would be frosty if not an impossible nightmare in December. Or, a trip to Southern China during the cool-dry season in November would be a pleasure rather than in July or August, the hot and humid season.

Seasons may change, but climates remain relatively constant. The world is divided into five basic climatic zones, which are based on distance from the equator, 0° latitude. This imaginary line splits the world into the Northern and Southern Hemispheres. The tropical



**FIGURE 1.9**

World mean annual precipitation. Precipitation varies greatly from one part of the world to another. Moreover, there is considerable variability in precipitation from one year to the next. Variability is usually greatest in areas of limited precipitation. Source: Clawson, David L., Fisher, James, Aryeetey-Attoh, Samuel A., Theide, Roger, Williams, Jack F., Johnson, Merrill L., Johnson, Douglas L., Airriess, Christopher A., Jordan-Bychkov, Terry G., and Jordan, Bell. *World Regional Geography: A Development Approach*, 8th Ed., © 2004, pp. 36-37. Reprinted and Electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, NJ.



*The geography of the Greek Island, Santorini—caldera, calm Mediterranean water, and mild weather—makes it a popular vacation destination. Photo by Cathy Hsu*

regions extend to the Tropic of Cancer to the north and the Tropic of Capricorn to the south. The north temperate climate extends from the Tropic of Cancer to the Arctic Circle, and the south temperate climate extends from the Tropic of Capricorn to the Antarctic Circle. Above and below these lines are the North and South Polar zones.

In tropical zones, temperatures are mild, with little variation throughout the year. In contrast, the temperate zones are noted for their four-season temperatures. Polar zones are the exact opposite of the tropical zones, staying below 0°F most of the year.

In addition to the natural features, location and accessibility are key factors that will influence the level of tourism activity. But geography is more than just landforms, water, vegetation, and climate. It also includes people.

## Human Geography

The exhilaration of experiencing other cultures is enjoyed by many through languages, foods, beverages, products, arts, and crafts that are typical to particular locations. Simply being in a different location and participating in daily activities can be an adventure in itself. An understanding of **human (cultural) geography** provides specific types of information that can enhance any tourism experience.

Human geography, which includes people and economic activities, creates the rest of the picture that can be captured and explained through maps. Culture, as expressed through language, religion, dress, foods and beverages, and other customs, plays a critical role in the popularity of many tourism destinations. Other factors such as politics and economic conditions can also play an important role in the ease of travel, especially across international boundaries. Governments can encourage or discourage tourism through passport and visa requirements as well as through policies relating to taxation or the ease of currency exchange.

For example, English is the most commonly spoken language in the industrialized world, but it may not be spoken in some locations. In other locations, Chinese, French, Spanish, Russian, Japanese, or a host of other languages may be common. Although

this might create a language barrier for some, it can create opportunities for others who provide interpretation or tour services.

Human geography allows travelers to become aware of cultural norms and religious expectations so they do not commit social blunders. In some countries, it is common practice for businesses to close on certain days and times because of accepted cultural norms or for religious reasons. For example, all commercial activity ceases in many Middle Eastern countries during designated prayer times.

## Regional Geography

The level of tourism interest and activity in a specific area often depends on a combination of both physical and human geography that comes together, making certain locations more attractive than others. It may be curiosity or a combination of natural as well as developed features and attractions that meet visitor wants, needs, and expectations. **Regional geography** is a useful framework for studying the physical and human geography of a specific area or location, providing a convenient way to organize a wide variety of facts.

For example, locations near large population centers combined with access to well-developed transportation systems generally create high levels of tourism activity. Climate also influences the level and type of tourism activity. Factors such as time of year, geographic location, and proximity to major bodies of water all contribute to demand. This may explain why the most popular tourist destinations in Europe can be found along the Mediterranean Sea and in Asia around the South China Sea. We can see a similar pattern in the United States, as six of the top ten locations for domestic travelers are located near major bodies of water: Arizona, Arkansas, California, Colorado, Florida, Hawaii, Nevada, New York, Texas, and Washington, D.C. Similar patterns can be seen all along the shores of Costa Del Sol in Spain and the Sunshine Coast in Australia.

Regions also play an important role in the development and promotion of tourism activities. The Gold Coast in Australia, the Pearl River Delta in China, the Alps in Europe, and the Rocky Mountains in North America form natural regions of tourism activities that cross political boundaries. Smaller regions such as the wine-growing regions of California, Washington, New York, France, Germany, Italy, and Spain also attract a great deal of tourism activity and have become popular destinations. Other regions

### TOURISM IN ACTION

#### GEOGRAPHIC INFORMATION SYSTEMS (GIS)

An enormous challenge to any business in the tourism industry is managing information. Who are the many different guests of the business? Where do they come from? What do they have in common and how do their needs differ? What time of year do they come and how long do they stay? What qualities and services do we have or need to develop to fit visitor lifestyles? The questions are endless and so is the amount of data generated by the answers. As introduced in this chapter, the ability to segment markets and serve them profitably is a critical component to competing successfully in the global tourism industry. So how do you put all the data into clear, easy-to-use information and put it into the hands of people to use it? One answer is to use a GIS for presentation and spatial data analysis (information linked to geographic location).

A GIS is a set of computerized tools, including both hardware and software. GISs are used for collecting, storing, retrieving, transforming, and displaying spatial data. An easier way to think of GIS is as a marriage between computerized mapping and database management systems. In other words, anything that can appear on a map can be fed into a computer and then compared to anything on any other map, and everything on any map can have layers of data and information attached. GIS is a powerful technology and its potential uses are endless. GISs are now being used to locate park and recreational facilities, to generate site specific economic and environmental impact information on tourism activities, and to track tourist movement so as to evaluate and optimize tourist flow and refine tourism product offerings.



may be defined by specific boundaries such as the Valley of the Kings in Egypt, the Lake District in England, Canada's Capital Region, Chicagoland, and the French Riviera.

Geography provides a foundation to help us understand why people visit or fail to visit certain areas, but we also need to learn how to meet their needs efficiently and effectively as they travel. The three primary interrelated business functions—marketing, management, and finance—add the structure to our foundation, providing many of the tools necessary to plan and meet current and future needs of travelers. Let's look at how these business functions work together in the tourism industry.

## Studying Tourism from Business Perspectives

First, marketing concepts provide insights into why people travel as well as possible approaches to meeting their needs as they travel. Second, management concepts provide insights into the processes needed to meet societies' and visitors' current and future demands. Third, financial concepts provide the tools needed to understand, design, and supply profitable levels of visitor services. By combining knowledge from each of these perspectives, a basic understanding of tourism fundamentals can be developed.

### Marketing

Studying tourism from the marketing approach provides valuable insight into the process by which tourism organizations create and individual visitors obtain desired goods and services. Everyone who has either worked in or used tourism-related services knows that customers (visitors and guests) can be very demanding. The more you know about these travelers and how to meet their needs, the more successful you will be as a hospitality and tourism professional. In fact, individuals and organizations who attempt to understand and meet the needs of these visitors successfully are practicing what is called the **marketing concept**, an organizational philosophy centered around understanding and meeting the needs of customers.

Marketing theorists have coined a variety of phrases to describe the philosophy of an organization.<sup>20</sup> The “production orientation” organization views its mission to produce its product most efficiently and customers will simply arrive to purchase whatever is produced. In a noncompetitive, high-demand environment, this orientation works. Consider the gasoline industry. A second philosophy is the “sales orientation.” Under this philosophy, an enterprise produces its product but it needs an effective (even pushy) sales force to encourage customers to buy all of the organization's production. This philosophy is frequently exhibited at large city hotels. The hotels have an inventory they need to “move,” and it is the role of their sales staff to fill those beds each night and bring in those conventions and wedding receptions to fill those ballrooms!

Notice that neither of these orientations focuses on the needs or wants of the customer: The focus is on the “need” of the organization to produce and sell. A third philosophy, the heart of marketing, places the customer at the core of a firm's production or service delivery purchase. This newer philosophy is called the “consumer orientation” and requires that organizations determine what customers really want and need in a product or service so that a firm's offerings closely fit what is wanted by consumers, and therefore selling the firm's offerings becomes much easier.

Meeting visitor needs relies on a complex set of tools and techniques that is referred to as the **marketing mix**. The marketing mix consists of four variables that are often called the four Ps of marketing: product, price, place, and promotion. *Product* refers to the good or service that is being offered. *Price* is the value of the good or service. This value is the amount of money that will be paid as well as the time “given up” to obtain the good or service. *Place* includes the location and the activities that are required to make the good or service available to the visitor. Finally, *promotion* refers



*Communications with tourists can take various creative means.* Photo by Cathy Hsu

to all of the activities that are undertaken to communicate the availability and benefits of a particular good or service. Just think about yourself or someone else who is traveling to another city to attend a concert. How can each of the variables in the marketing mix come together to make that trip a memorable experience?

Although tourists, as a whole, are a very diverse group, they can be divided into subgroups or market segments. Market segmentation allows an organization to develop the most appropriate marketing mix to meet the needs of specifically targeted visitor segments effectively and efficiently. For example, would a young college student want the same types of experiences at Disney World as a family would want?

Each market segment contains individuals who share many of the same characteristics and common needs. For example, businesspeople may need to get to their destinations as quickly as possible, whereas the summer vacationers may want to take the most leisurely and scenic route. Young college students may need to locate inexpensive accommodations at their destinations, whereas conventioners may need to stay at the hotel that is hosting the convention, regardless of price. Some visitors may be seeking a variety of entertaining outdoor activities, whereas other visitors are interested in shows and shopping. This list of examples could go on, but the point should be clear: As organizations plan to meet these differing needs, they can no longer afford to try to serve the needs of all visitors. They simply do not have the resources to reach everyone and meet their diverse needs successfully.

You will learn more about the importance of marketing and its role in meeting tourists' needs in the following chapters. As we explore the many facets of the tourism industry, think about yourself as well as other specific groups of visitors who are being served and how these targeted individuals shape marketing as well as management decisions.

## Management

**Management** furnishes additional tools and techniques to serve visitor needs successfully. Management, just like marketing, is essential to the continued success of

all organizations, both public and private. The study of management provides a unified approach to planning, organizing, directing, and controlling present and future actions to accomplish organizational goals. As our model depicts, economic, political, environmental, sociocultural, and technological forces affect all tourism organizations and play a key role in the development of strategic plans.<sup>21</sup> Managers need to understand each of these forces and how they will impact decisions as they plan for the future.

Basically, management is the common thread that holds any organization or activity together and keeps everyone moving in the same direction. For example, managers working for the Forest Service must decide how many people can comfortably use a campsite and when and where new campsites should be built. Government planners and administrators must make decisions about the desirability and necessity of new or expanded highways, airports, and shopping facilities. Restaurant managers must decide how many employees are needed to provide high-quality service and, at the same time, make a fair profit. Resort managers must decide whether or not to expand and what level of service to offer. Think back to that trip you were asked to plan earlier in the chapter, and you will begin to see how all of the management functions must fit together to have a successful experience.

The process might go something like this. After you mentioned the possibility of renting a cottage at the beach to enjoy some sun, surf, and sand, several of your friends asked if they could go with you. The first management function used in putting this trip together is planning: where to go, how to get there, and how many will go. Once these decisions are made, the next function used is organizing. You are using the organizing function when you assign someone to search the Web for more information and decide who will make reservations, who will buy food and refreshments, and who will call everyone to make sure each person shows up on time on the day of departure.

The next logical step you would use in putting together your trip would be the directing function. You are directing as you answer questions and coordinate all of your planned activities. Finally, you will use the controlling function. You are controlling as you check maps, directions, itineraries, and reservations to ensure the success of your trip. Although the activities may be more complex, managers in all tourism-related activities are constantly going through the same types of processes.

## Finance

Studying tourism from a financial approach provides a basic understanding of how organizations manage revenues and expenses. To continue operating and providing services, tourism organizations must strive to generate revenues in excess of expenses or effectively and efficiently use the financial resources they have been allocated. Even nonprofit and government organizations are being called on to generate more of their own funding and to gain better control of their expenses.

By definition, a business is an organization operated with the objective of making a profit from the sale of goods and services. **Profits** are revenues in excess of expenses. They are used as a common yardstick to represent financial performance and are the ultimate measure of financial success. However, some tourism organizations such as governmental agencies, museums, visitors and convention bureaus, and hotels associations may be classified as nonprofit. Even though they may not technically operate with a profit motive, most still strive to generate revenues in excess of expenses. For simplicity, we will use the generic term *business* in our discussion of financial concepts.

To use and communicate financial information, a common language must be spoken. That language is known as **accounting**, which is often called the “language of business.” Accounting is an activity designed to accumulate, measure, and communicate financial information to various decision makers, such as investors, creditors, managers, and front-line employees. One of the purposes of accounting information is to provide data needed to make informed decisions. There are two main categories



of financial reports: internal and external. Internal financial reports are used by those who direct the day-to-day operations of a business. External financial reports are used by individuals and organizations that have an economic interest in the business but are not part of its management.

Three basic building blocks are used to measure financial success:

1. Margin (the amount of each sales dollar remaining after operating expenses have been deducted)
2. Turnover (the number of times each dollar of operating assets has been used to produce a dollar of sales)
3. Leverage (the extent to which borrowed funds are being used)

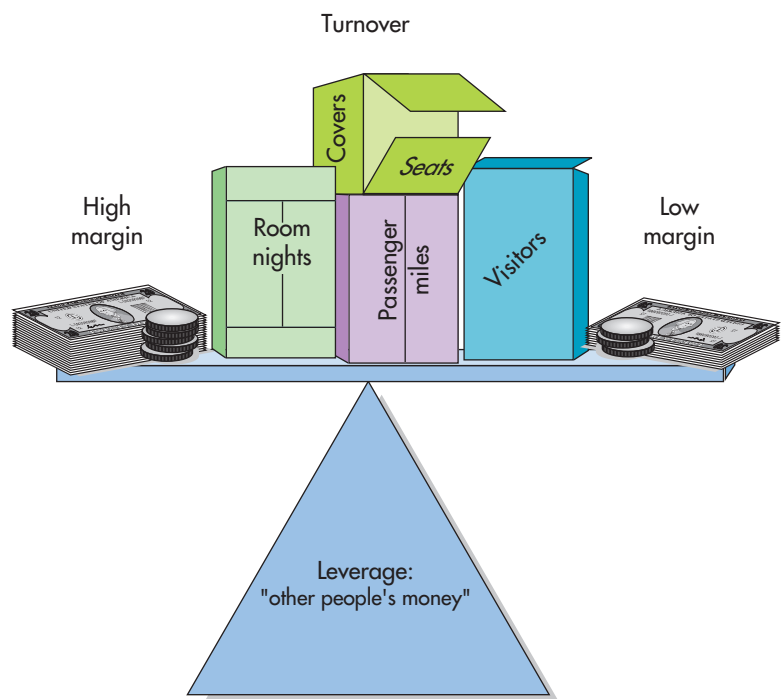
When these three components are multiplied together, they equal **return on investment (ROI)**, which measures profit. The ability to operate profitably is critical to tourism organizations because they are typically faced with low margins, high turnover, and the need to use leverage (other people's money). As can be seen in Figure 1.10, managing these three components is a delicate balancing act, and tourism is an industry in which every nickel counts and profits depend on recognizing the importance of pennies.

Since margins are so low for most tourism service providers, many segments of the industry are adding **convenience charges** on to their service offerings to improve profitability—for example, airlines charge for food, entertainment, and specific seat reservations; hotels charge for early check-outs on reservations, spa and gym access; cruise lines charge for specialty restaurants on-board; car rental companies charge for GPS navigation systems; and restaurants charge for premium seating locations. As tourism service providers search for profitability, these lists will only continue to grow.

Let's look at some practical examples of how these building blocks for financial success might work in specific segments of the tourism industry. In its simplest form, margin (50¢ or 5¢ for each dollar in revenue) for a food-service operator serving a hamburger and fries would be the sales price (\$10.00) minus the cost of preparation, ingredients, and service (\$9.50). Keep in mind that out of that 50¢ margin, businesses must still pay taxes to local and national governments. Airlines would measure turnover by the number of times a seat

**FIGURE 1.10**

The art of finance. Finance is a matter of balancing margin, turnover, and leverage.



## FYI HOSPITALITY

Legend has it that New England sea captains, after returning from a voyage, speared a pineapple on the iron gates in front of their homes to let it be known that all were welcome. The pineapple has since been known as a symbol of hospitality!

was sold during a 24-hour period. Leverage is an indication of how much money has been borrowed or invested in a business. For example, a ski resort wanting to add a new gondola might go to a bank or investor to get the money needed for this expansion. We will explore the importance of finance in later chapters as we examine specific industry segments.

Remember the analogy of the elephant? Financial information is much like the elephant's nervous system. Just as the elephant's nervous system allows it to respond to its environment, an organization's financial information system allows it to read its environment and move in the direction of profitable operations.

Basic knowledge of geography, marketing, management, and finance concepts will provide many of the tools needed for your future success in the tourism industry. However, the importance and practice of hospitality must be added to these basic concepts. To make a profit, managers must use their marketing and management skills to extend hospitality and high-quality service that meet guests' needs. We will explore the importance of providing hospitality and delivering service quality in Chapter 3.

## Tourism's Challenges and Opportunities

Meeting the needs of travelers by providing tourism-related goods and services has proven to be an attractive form of economic development. Attempts to encourage the development and growth of tourism activities are often desirable because tourism creates jobs and brings money into a community or country. However, unplanned tourism growth can lead to problems.

Although tourism can create greater cultural understanding and enhance economic opportunities, it may also change social structures; may place increasing demands on transportation systems, public services, and utilities; and may lead to environmental degradation. Whether we are participants in or beneficiaries of (both positive and negative) tourism activities, we are all in one way or another affected by tourism. However, there is still a lack of understanding by the public of the impact of tourism on environment.<sup>22</sup>

Pause for a moment and consider the following examples of how tourism might affect our lives and communities. For example, tourism could create needed jobs for residents and increase business for local merchants in a small coastal town seeking economic security. However, as that town grows into a more popular destination, it can become overcrowded, and the original residents who sought increased tourism expenditures may be driven out because of increased housing costs, higher taxes, and/or changing business demands. Tourism can generate needed funds to improve the lives of an isolated native tribe in the rain forests of South America. Yet, it can also forever change the lives of these peoples as they are exposed to the cultures and habits of the tourists who come seeking what they consider to be the ultimate travel experience.

The future of tourism provides many challenges and opportunities as well as many unanswered questions:

- Can tourism growth and development continue without creating environmental problems?
- How will advances in technology change tourism experiences and how tourists and service providers deal with each other?

- Will the expansion of the use of technology by tourism suppliers lead to a “low-touch” service that is less appealing to guests?
- As tourism service activities continue to grow, will an adequate workforce with the necessary skills be available?
- Will tourism change the social structure of countries and communities when they experience increased tourism activities?
- Will the threat of terrorism continue and spread around the globe, decreasing potential travelers’ sense of security and thus decreasing the level of international travel?

These are only a few of the questions that may arise as plans are made to respond to the demands of tourism growth. Information presented throughout this book will provide you with the fundamental knowledge necessary to begin forming your own opinions and possible answers to many of the questions and issues that you will face as decision makers of tomorrow.

As you search for answers to the future of tourism, let your thoughts and actions be guided by ethical principles. Although most people can easily distinguish between right and wrong based on their own personal experiences, they are often faced with decisions where it is difficult to make these clear distinctions. In an effort to promote ethical behavior, organizations often publish codes of ethics to help guide individuals in their daily activities and decisions.

Even without the help of a code of ethics, there are some very simple questions you can ask yourself about any situation or problem to identify ethical and unethical behavior:

- Will someone be hurt in this situation?
- Is anyone being coerced, manipulated, or deceived?
- Is there anything illegal about the situation?
- Does the situation feel wrong to you?

## **TOURISM IN ACTION**

### **WORLD TOURISM ORGANIZATION**

The World Tourism Organization (UNWTO), an agency of the United Nations, serves the world as a global source of tourism information and skill development. Headquartered in Madrid, Spain, the UNWTO boasts 144 member countries and over 300 affiliate members from the private sector and other tourism organizations. Begun in 1925, the UNWTO, through its various programs and committees, aids countries in developing tourism and its benefits. For example, the UNWTO was instrumental in the Silk Road Project aimed at revitalizing the ancient highway through Asia. The UNWTO’s Business Council works hand-in-hand with private-sector members to strengthen public–private sustainable tourism efforts. The UNWTO also is a major publisher of important tourism resources, offering more than 250 titles in four official languages.

A critically important role of the UNWTO is its collection of global tourism statistics. Its international standards for tourism measurement and reporting provide a common language that allows destinations to compare tourism revenues and other data with those of competitors. The UNWTO is recognized as the world’s most comprehensive source of tourism statistics and forecasts. In 2000, the United Nations approved the UNWTO’s Tourism Satellite Account methodology. This method helps ensure the measurement of the tourism industry’s true economic contribution in terms of gross domestic product, employment, and capital investment.

To learn more about the UNWTO and its structure and activities, visit its website at <http://www.unwto.org>.

- Is someone else telling you that there is an ethical problem?
- Would you be ashamed to tell your best friend, your spouse, or your parents about your contemplated actions or your involvement?
- Do the outcomes, on balance, appear to be positive or negative?
- Do you or others have the right or duty to act in this situation?
- Is there a chance that you are denying or avoiding some serious aspect of the situation?<sup>23</sup>

Finally and possibly the simplest, yet most thorough, ethical guideline is the Golden Rule: Do unto others as you would have them do unto you. Keep these guidelines in mind as you analyze and respond to the “You Decide” challenge found at the end of each chapter.

## Where Do You Fit in?

The prospects for the future of the tourism industry and employment in this industry are bright. Projections from the UNWTO indicate that tourism will remain the world's largest “industry” through the year 2020 with travel and tourism sales growing at the rate of 4.1% a year. Employment opportunities in countries such as Australia, Brazil, China, and the United States appear to be especially positive.

Realizing the significant role tourism plays in everyone's future, we should all attempt to understand how it functions. Only through understanding the participants and forces shaping the tourism industry can we meet the expectations and desires of society. Tourism offers a world of opportunities for you to become involved as either a visitor or service supplier. Just like Bruce, whom you met in the chapter opener, you never know where a career in tourism may find you in the future.

## Topics Covered in Each Chapter

The text, like our tourism model, is organized around meeting the needs of travelers who are discussed in detail in Chapter 2. In Chapter 3, you will learn more about travelers and how tourism suppliers identify and deliver quality services. Each of the fundamental participants and forces shaping tourism can be explored through the information presented in the remaining chapters.

Chapter 4 takes an in-depth look at the multifaceted distribution systems and sales functions that link travelers and tourism suppliers. Chapter 5 explores how technology has shaped and continues to change every aspect of the tourism industry. Chapters 6 through 10 focus on the marketing, management, and financial issues facing primary groups of tourism service suppliers—transportation, accommodations, food and beverage services, attractions and entertainment, and destinations, respectively. Throughout these chapters, we highlight the importance of maintaining a motivating environment that supports high-quality service.

Chapters 11 and 12 explore the forces that shape the current and future operating environment for every person and organization that is found in the tourism model. These forces include economic, political, environmental, and social/cultural issues. Chapter 13 is devoted to exploring how we can maintain tourism's benefits. Chapter 14 takes a glimpse into the future of tourism. Finally, selected readings have been included at the end of each major section of the book to complement and expand the information provided in the chapters. Integrative cases at the end

of each major section give you an opportunity to apply your knowledge to real-world situations.

Questions and exercises at the end of each chapter will allow you to check your knowledge and apply the concepts you have learned. You will also have an opportunity to think about some of the challenges and ethical issues facing participants in the tourism industry. We sincerely hope that you enjoy the journey as you study all this multifaceted industry has to offer!

## Summary

The study of tourism will introduce you to one of the largest and fastest-growing industries in the world. As shown in our model, tourism is a multifaceted service industry that has a rich history and exciting future marked by many challenging opportunities. The career opportunities created from serving the needs of travelers are almost limitless.

Our journey into the study of tourism began with a brief look back in history. History provides many important lessons that help explain the growth and significance of travel in world economies. In fact, the lessons to be learned from history can still be used to help plan for and serve the needs of travelers today and in the future. Travel continues to be influenced by factors such as time, money, mobility, and a relative sense of safety.

A business focus centered on marketing, management, and finance will be used as a foundation for examining the

development and interdependence of the participants and forces shaping the tourism industry. Based on this foundation, and recognizing the importance of geography to travel and tourism, we will explore all of the components of the industry on an individual basis and in an economic, political, environmental, and social context.

As you learn the concepts and terminology of tourism, you will gain an appreciation for how the industry has developed and you will be equipped to gain more from your travel experiences or understand and meet the needs of others as they travel. Finally, if you decide to become a member of this industry, by practicing the art of hospitality, you can use all of your knowledge and skills to meet and exceed visitor expectations. As you explore the world of tourism throughout this book, you will be introduced to the concepts and issues facing tourism today and in the future.

## You Decide

The idea of traveling for education and experience reached its pinnacle in the Grand Tour Era. During that time, travel to locations such as Paris, Rome, and Venice was considered to be the ultimate travel experience. Today's equivalent of the Grand Tour participants, the adventure travelers, may not have the time or money for extended trips but still seeks the same educational experiences.

Although the adventure travelers may travel to some of the same destinations that were popular on the Grand Tour, these destinations are not new or exotic. Today's adventure travelers seeking new and exotic destinations may be found trekking through Nepal, viewing wildlife on the Galápagos Islands, or braving the elements in Antarctica.

The original Grand Tour participants and today's adventure travelers may have been seeking the same

benefits from travel, but their travel impacts are very different. Whereas Grand Tour participants traveled to cities to study, explore, and experience the arts, today's adventure travelers visit remote areas and cultures, seeking new experiences while generating new income sources for the native population. As they popularize these different locations, roads, utilities, buildings, and other environment-altering activities follow.

Think for a moment about the impacts Grand Tour participants had on the areas they visited while traveling throughout Europe. Are the impacts adventure travelers have on today's destinations the same? From an ethical perspective, should tourism activities be encouraged everywhere?

## Net Tour

To get you started exploring the world of tourism, enter the terms *tourism and travel*, *history of travel and tourism*, and/or *travel and tourism geography* into your favorite search engine, or use the specific links provided here to learn more.

[www.wttc.travel](http://www.wttc.travel)

[www.unwto.org](http://www.unwto.org)

[www.ustravel.org](http://www.ustravel.org)

[www.mapquest.com](http://www.mapquest.com)

[travel.state.gov](http://travel.state.gov)

[google.com/earth](http://google.com/earth)

[www.pata.org](http://www.pata.org)

[en.cnta.gov.cn](http://en.cnta.gov.cn)

[www.destinationmarketing.org](http://www.destinationmarketing.org)

## Discussion Questions

1. Why should we study tourism?
2. History has taught us that people travel and engage in tourism activities in increasing numbers when several basic conditions can be met. Identify and describe these conditions and why they help facilitate travel and tourism activities.
3. What is geography?
4. How do physical, human (cultural), and regional geography influence tourism activities?
5. Why should we study travel and tourism from a marketing approach?
6. Why should we study travel and tourism from a management approach?
7. Why should we study travel and tourism from a financial approach?
8. What are some of the future opportunities and challenges facing the tourism industry?

## Applying the Concepts

1. Ask several people of different ages, occupations, and genders to describe tourism to you. Note the differences in their descriptions. List those things that are common in their descriptions as well as some of the distinct differences.
2. Travelers are attracted to countries such as Australia, Canada, England, France, and the United States to participate in tourism activities. However, they have typically avoided countries such as Afghanistan, Iran, and Pakistan. Why are tourists attracted to some countries while they avoid others?
3. Based on your knowledge of the factors and conditions that encourage tourism, find articles that could explain the popularity of travel and tourism destinations such as Canada, Costa Rica, France, Macao, New Zealand, Spain, Thailand, and the United Kingdom. List the things that popular destinations have in common as well as the things that may be missing in less popular destinations.
4. Go to the reference section at your local library and look at the different types of maps that are available. After selecting or being assigned a nation, state, or province, make two lists of geographic features: (a) physical and (b) human (cultural). Your lists should provide an overview of significant information that would be of use to someone traveling to the destination you are describing.
5. Use your favorite search engine to find three sources of maps. Prepare a list including Web addresses showing the types of maps available and the information contained on these maps.

## Glossary

**Accounting** A service activity of business designed to accumulate, measure, and communicate financial information to various decision makers.

**Business** An organization operated with the objective of making a profit from the sale of goods and services.

**Cartography** The science or art of making maps and interpreting mapped patterns of physical and human geography.

**Convenience charges** Additional charges added to basic services that are designed to increase profitability.

**Feudal system** A system of political organization, prevailing in Europe from the 9th to about the 15th century, in which ownership of all land was vested in kings or queens.

**Host community** A town or a city that welcome visitors and provide them with desired services.

**Human (cultural) geography** The human activities that shape the face of a location and shared experiences, including the cultural aspects of language, religion, and political and social structures.

**Leisure travel** Travel for personal interest and enjoyment.

**Management** The distinct processes of planning, organizing, directing, and controlling people and other

resources to achieve organizational objectives efficiently and effectively.

**Marketing concept** An overall organizational philosophy that is focused on understanding and meeting the needs of customers.

**Marketing mix** Those things that an organization can do to influence the demand for its goods or services. It consists of four variables, often called the four Ps of marketing: product, price, place, and promotion.

**Mass tourism** Twentieth-century phenomenon whereby the working and middle classes began traveling in large numbers for leisure purposes.

**Model** A simple representation showing how important features of a system fit together.

**Physical geography** The natural features of our planet, including such things as climate, land masses, bodies of water, and resources.

**Professional travel** Travel by individuals to attend meetings and conventions.

**Profits** Revenues in excess of expenses representing the financial performance and the ultimate measure of the financial success of a business.



**Regional geography** The components of geography that focus on regional landscapes, cultures, economies, and political and social systems.

**Return on investment (ROI)** A measure of management's efficiency, showing the return on all of an organization's assets.

**Services** The performance of actions or efforts on behalf of another.

**Tourism** The temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created to cater to their needs.

**Tourism Satellite Accounts** Methodological framework that uses common classifications and definitions to measure economic impacts of tourism on a national basis.

**VFR** Visits to friends and relatives.

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# CHAPTER 2

## Marketing to the Traveling Public

*I have wandered all my life, and I also traveled; the difference between the two being this, that we wander for distraction, but we travel for fulfillment.*

—HILAIRE BELLOC

### LEARNING OBJECTIVES

After you have read this chapter, you should be able to:

1. Explain the importance of segmenting the tourism market.
2. Identify the four major models of tourist motivations.
3. List and describe the steps involved in segmenting a market.
4. Describe the major approaches that are used to segment the tourism market.
5. Discuss the importance of business and professional, incentive, SMERF, mature, and special-interest travelers.
6. Describe how information gained from segmenting the tourism market can be used to target and meet the wants, needs, and expectations of the traveling public.

### CHAPTER OUTLINE

#### A Ride on the Wild Side!

##### Introduction

##### Decisions, Decisions, Decisions

Information Seeking

It's All in the Details

##### Foundations for Understanding Tourist Motivations

Push and Pull Motivations

Maslow's Hierarchy of Needs

The Travel Career Patterns

The Psychocentric–Allocentric Model

##### Segmenting the Tourism Market

Geographic Segmentation

Demographic Segmentation

Psychographic Segmentation

Product-Related Segmentation

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## A Ride on the Wild Side!

“Let’s start our own rafting business!” When Jim first mentioned the idea to Andy, they both laughed. Sure, they had been raft guides during summer breaks, but what did they really know about starting and running a business? As they stared through their dorm window at the leaves falling from the trees and thought about their summer adventures, they began to talk about the possibilities.

It had all started on a summer vacation. Like many tourists who visit the Rocky Mountains, they had taken a whitewater rafting trip. During this trip, they struck up a conversation with Casey, the owner of the company. At first, what they learned from Casey seemed almost too good to be true. Was it really possible to spend the summer months guiding people through the rapids on a beautiful mountain river and earn a living at the same time?

The lure of the outdoors, the river, and job offers to work for Casey as raft guides pulled them back to that same small mountain town the following summer. Casey, like most business owners in small tourist towns, was always looking for good potential employees. When he asked Jim and Andy to come back and work for him the next summer, they jumped at the opportunity.

Now, after two summers of experience, Jim wanted Andy to help him start their own whitewater rafting business. Once Andy said yes to the idea, things really started happening. They scanned maps of the Rocky Mountain region to locate premier rafting rivers and thumbed through every outdoor enthusiast magazine they could find. They wrote to government agencies in every location that looked interesting to find out what types of permits and licenses were needed. After months of research, they decided on the perfect location.

On spring break, they visited the town where they wanted to set up their business. It was perfect: no other rafting companies in town and a great place for rent with a barn and an old house right on the river. Everything seemed to fall into place. Jim’s grandmother agreed to lend them enough money to purchase their equipment, and two of their college professors helped them develop a business plan. Casey even offered them some words of encouragement as they prepared to launch their new business.

After graduation, Jim and Andy were ready to put their knowledge and experience to work. They moved in, hung up their sign, opened the doors, and waited for the customers to come to their new business, A Ride on the Wild Side! June was a great month, but July and August were even better! In fact, business was so good and they were so busy, they almost didn’t notice a story in the local paper announcing the granting of a permit for another rafting company.

When the rafting season was over, Jim and Andy stored their equipment, counted their profits, discussed their successes and mistakes, and began to think about next year. What would the new competition mean for them? There had been plenty of customers this year, but what about next year? Would there be enough business for two companies? Who were their customers? Where did they come from? How did they find out about A Ride on the Wild Side!? Would they return? Would they tell others about their experiences?

To continue their success and prosper with new competition on the horizon, they needed to know more about marketing and customer service. As they thought about the future, they realized many of the lessons they had learned about business in their college courses would be useful.

## Introduction

In Chapter 1, we presented a model highlighting the scope and complexity of the tourism industry. Referring back to this model, notice that the center is the focal point and primary reason for all tourism activities: travelers. In this chapter, we will learn more



*The ancient Roman ruins attract a wide variety of tourists.* Photo by Cathy Hsu

about these travelers (tourists) and how we can plan to meet their wants and needs successfully. Take a minute to look around and notice all the different types of people at your college or university. The diversity of this group may be similar in many ways to the diversity of guests being served in the tourism industry. Because these tourists are at the heart of the industry, we need to know more about who they are, why they travel, and what they expect during their travels.

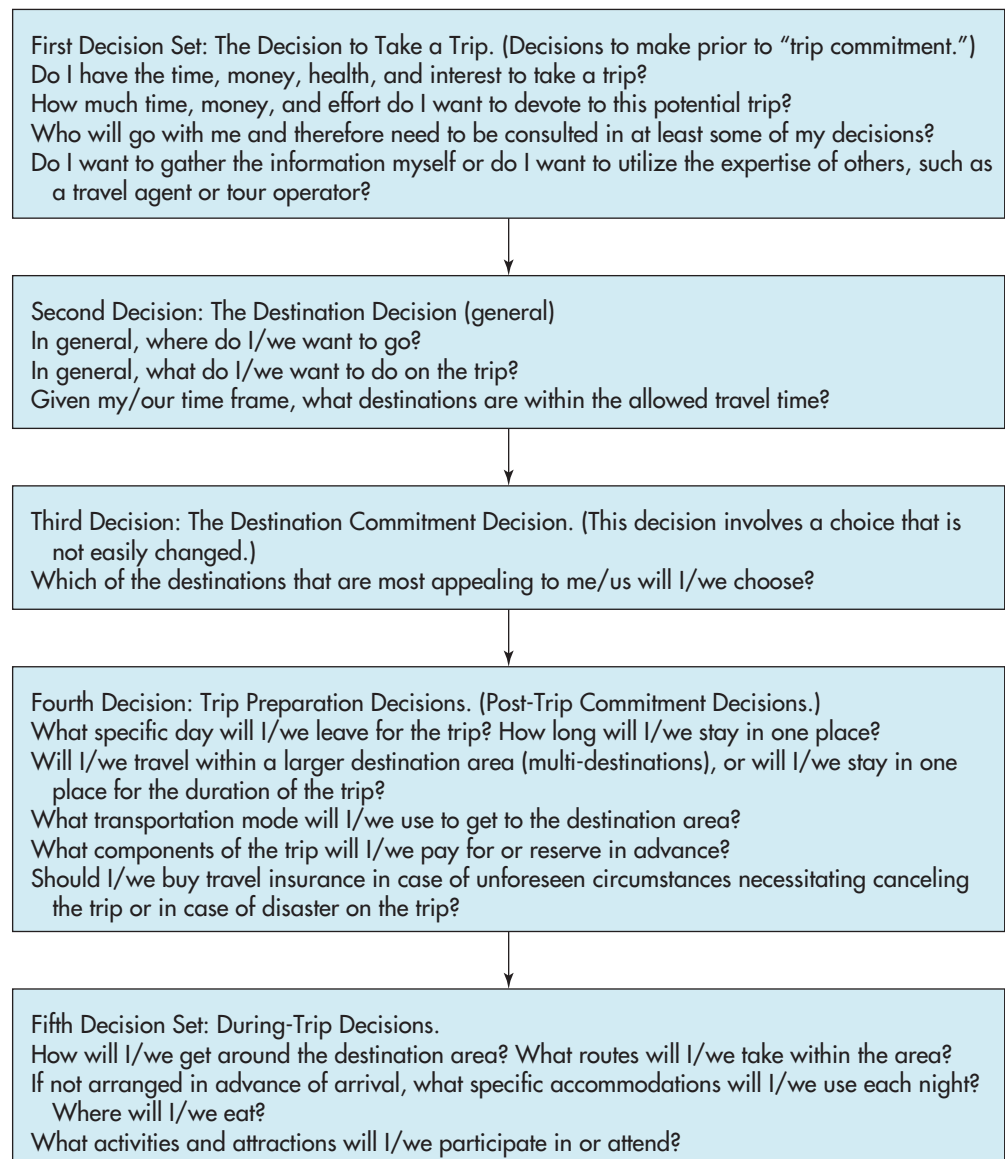
Any number of activities, including seeking the assistance of a travel agent, flying to another city, or walking through the gates of a theme park, change a person into an active participant using tourism services. As consumers of these tourism services, we have sometimes similar, as well as different, needs. In response to the tasks of understanding consumers, their needs, and the actions they take to satisfy these needs, a whole branch of marketing, **consumer behavior**, has developed.

Consumer behavior is the study of consumer characteristics and the processes involved when individuals or groups select, purchase, and use goods and services to satisfy wants and needs. How we behave as consumers is determined by a variety of interpersonal influences (e.g., we learn how to make shopping decisions from our parents) and by our individual characteristics (gender, age, personality, etc.). Consumers are likely to return and continue to use goods and services as long as their needs are met. Consequently, we need to learn more about who these consumers are and what they need and want.

## Decisions, Decisions, Decisions

Think of the number and variety of decisions that go into a vacation. First, you have to decide in a general way that you want to spend a period of time away from your home area. That time period may run the gamut from a quick overnight escape to a full year's travel to "find yourself." You then have to consider where you might want to go, your

destination. Will you travel to a single destination, such as Ogunquit, Maine, and stay put for a relaxing long weekend, or will you travel continuously during your vacation using a multi-destination itinerary? Will you rely on a travel professional to help in your planning, or will you do all the “legwork” yourself? Will you make lodging reservations and buy attraction tickets in advance, or will you simply wing it? Will you stick to your original plans and choices, or will you make modifications as your trip progresses? As you read this section, look at Figure 2.1 to aid your understanding. For leisure travelers, this thought process occurs in four stages and is often referred to as the dreaming (first decision), researching (second and third decisions), booking (fourth decision), experiencing (fifth decision), and then finally the sharing cycle. Social media made this process even more personal for many travelers as it creates the opportunity to share experiences real-time.

**FIGURE 2.1**

The travel decision-making process.

The previous paragraph hints at the endless number of decisions leisure travelers need to make. How and when do travelers make decisions? How much information do they gather prior to selecting their choice? The depth of information search conducted and the timing of that information gathering are of substantial importance to tourism suppliers. They want to provide the information that tourists desire at the time they most desire it. Consumer research has proven that we will most notice and remember advertising messages and other forms of information when we are actively seeking information to make a certain decision. This information receptive mode is called selective attention.<sup>1</sup>

## Information Seeking

When we are in the midst of making a decision regarding a trip, we have a variety of information sources available. First, we have our own memory, including our existing base of knowledge and experiences. This form of memory reliance is called internal information search. Imagine Kurt and Sharon who are thinking about going on a weeklong family vacation. They recall the terrific time their kids had at that great Recreational Vehicle resort at Lake George in upstate New York and simply decide to make that trip again.

Frequently, we feel the need to gather additional information; this is termed *external information search*. These external sources are grouped into two types, personal sources and nonpersonal sources. Personal sources are individuals who provide us with information. A friend who recommends a rafting company that offers Colorado River trips through the Grand Canyon would be an example of a noncommercial personal source. Your trusted travel agent who helps you decide which cruise best fits the true you is an example of a commercial personal source. And, finally, the front desk clerk who suggests a fun nightspot where locals party is also a personal source of information.

Nonpersonal sources of information are all other forms of information available to you, from travel magazine ads to resort brochures to billboards along your trip route. Tourism suppliers can control to a large extent the information in nonpersonal sources, such as websites and pop-up ads. Messaging that is controlled by the supplier is called **induced information**. Travelers may also gather information from organic sources that are not controlled by the tourism supplier.<sup>2</sup> Examples of organic sources include travel guides, blogs, and travel review sites such as tripadvisor.com. However, one form of tourism information often consulted by long-trip-duration travelers are published travel guidebooks, which frequently include opinions and impressions from the authors/editors. Travel guides such as Frommer's and Lonely Planet are viewed as neutral sources of information because the author is usually not being compensated to make the recommendations included in the guide. Many travelers are also turning to blogs and review sites, which may or may not contain reliable and unbiased information. While many organic sites began with the intent to provide neutral information from user-generated content, consider the fact that there are also opportunities to post induced information on organic sources that can mislead travelers. We will explore the impact of blogs and user-generated content on the tourism industry when we turn our attention to technology issues in Chapter 5.

Although business and professional travelers will have a set plan and reservations for almost all components of their trips, leisure travelers have a full range of planning options. As suggested earlier, after deciding to travel, the next decision a traveler faces is where to go. And with the endless possibilities out there, that is often not a simple choice. Leisure travelers often spend hour upon hour gathering information about various destinations to find the one that most tickles their fancy. The conclusion to the destination decision may be very specific—"I'm going to Disney World!"—or it may be very general, such as Southeast Asia.

After the decision of "where" is made, travelers will differ on how much information they collect before making other decisions. A portion of vacationers will turn



most of the information gathering and decision making over to others, by using a travel agent and purchasing a tour package. Package tours allow the traveler to trust the judgment of a tour wholesaler to piece together the necessary services so that decision making by the traveler is minimal.<sup>3</sup> This is usually the case for travelers with limited experience in consuming travel products.

However, most experienced travelers are independent travelers, those who do not leave the planning to someone else. Specifically, independent travelers do not book all-inclusive packages that include transportation, accommodations, and activities at the destination. These travelers have many decisions to make, both before (pre-trip planning) and during their trip. Independent travelers tend to have more flexibility in their itineraries, in terms of where they go, how long they spend at any one place, where they stay, and what they do at each locale. Travel planning by independent travelers can be thought of as a continuum. Travelers may make virtually all decisions prior to departure regarding route, duration of stays, where to stay, and what they will do each day. On the other extreme of the continuum are the travelers who do virtually no pre-trip planning and allow their trip to evolve spontaneously.<sup>4</sup> For example, in studies of visitors to New Zealand (NZ), Tourism New Zealand researchers have found that more than 40% do absolutely no preplanning before their arrival on NZ shores.

By now, you realize that travel decision making involves a series of choices concerning many facets of a trip. “Compared to most other examples of consumer decision making, vacation decision making is a particularly complex and multifaceted matter, involving a series of decisions on multiple elements of the vacation itinerary.”<sup>5</sup> (p. 20) What factors make pre-trip planning more likely or less likely? Research conducted in a variety of countries indicates that certain characteristics of a trip lead to greater information search by leisure travel consumers. These characteristics are lack of experience with the destination, longer duration of trip, farther away from home (especially international), commercial accommodations (rather than staying with friends or relatives), larger group size, and multiple destinations.

## It's All in the Details

Logically, the length of a trip will play a role in determining how much pre-trip planning occurs. For short-term domestic trips, most tourists will plan many elements of the trip ahead of time, such as dates of the trip, destination, accommodations, and travel route. For such a trip, even the attractions to attend and other activities are likely to be planned ahead, although travelers will allow some flexibility in these areas.<sup>6</sup>

Trips of longer duration allow travelers the opportunity to have multiple destinations. Multi-destination trips tend to be less rigidly planned and allow for more spontaneity. Travelers who take long multi-destination trips tend to utilize guidebooks and on-site information sources for help in making decisions as they travel. Locals and other travelers met along the way are important personal sources of information regarding what to do, where to stay, and where to dine. Typically, the sequence of decision making for multi-destination, long-duration trips tends to be sub-destination decisions, followed by travel route (how to get from A to B), concluding with decisions concerning attractions and activities to attend/participate in.

Personality type and demographics also impact how much information search and trip planning a traveler will perform. Think of two very different friends of yours. One is a planner, a clock-watcher, and a deliberate thinker. The other is spontaneous, ready to drop everything and go where the wind blows him. Your first friend likely would enjoy pre-trip planning and view this information-gathering step as part of the challenge and fun of travel. Your other friend would view such planning as confining and ruining the surprise of a vacation. Generally speaking, older travelers tend to plan more, along with those who perceive substantial risk, such as those traveling in a country whose people do not speak the traveler's language.

Finally, think of the type of information travelers may want. In choosing a destination, travelers may seek general information to get a “feel” for the look, culture, and possible activities of the location. They may also seek more specific information once they have narrowed their focus to a few destinations, their choice set, so they can compare the possibilities in more detail. For example, Jo may want to take a fun-in-the-sun break from winter and decides from all the possibilities that she will go to one of the islands of the Caribbean. She needs detailed information about the islands she finds most intriguing. Once she chooses an island destination, St. Lucia, she will need information about resorts on the island to make an advance reservation. Finally, while at the destination, she will need to collect information to make individual decisions to satisfy her day-to-day needs for food, entertainment, local transportation, and the like.

Tourism suppliers therefore vary in the type of information they need to provide prospective customers. At the macro level, destination marketing organizations, such as Tourism British Columbia (using the slogan “Super Natural British Columbia”), need to entice visitors to their region by providing general information in an appealing format. At the micro level, individual hotels need to have websites that can be accessed directly or that are linked to the destination marketing site or will be listed when a traveler conducts a Web search. Small-scale area attractions, such as that of Jim and Andy from the chapter opener, need to have attractive brochures available in local area shops, restaurants, and the local visitor information center. From this discussion of decision making and information gathering, we hope you now have a better understanding of the challenges facing tourism suppliers in getting the right information to the right people at the right moment in time.

## Foundations for Understanding Tourist Motivations

In Chapter 1, you learned that humans have traveled away from their homes throughout history. What has motivated people to leave familiar surroundings and travel to distant places? In this section, we will consider what psychological reasons compel individuals to travel. Psychologists have long studied motivations for a variety of human behaviors including the drive to travel. We will discuss four of the most well-accepted models of tourist motivations: push and pull motivations, Maslow’s hierarchy of needs, Pearce’s travel career patterns (TCPs), and Plog’s psychocentric–allocentric continuum.

### Push and Pull Motivations

For decades, tourism researchers have grouped tourist motivations as push or pull factors. The notion is that travelers are both “pushed” to travel by personality traits or individual needs and wants, and “pulled” to travel by appealing attributes of travel destinations. Generally, the push motivations are useful for explaining the desire for travel while the pull motivations are useful for explaining the actual destination choice.<sup>7</sup> Table 2.1 lists many of the push and pull factors proposed and examined by tourism motivation researchers.

This “theory” of travel motivation highlights the fact that tourists are pushed (motivated) to travel by many factors simultaneously, and destinations pull (attract) visitors with a combination of resources. For instance, a tourist generates the desire to escape from his mundane day-to-day routine and seeks a destination that seems to offer the “ticket” to that escape. Research has shown that push and pull factors are matched by travelers. For example, studies have found a large percentage of travelers are motivated to travel by a desire to be pampered, comfortable, and entertained. Destinations that generate the most “pull” for this group of travelers are cities and beach resorts.

Several of the “push” factors listed in Table 2.1 are identified and researched personality traits (e.g., novelty seeking). An additional and particularly appropriate



**Table 2.1** Push and Pull Travel Motivations

Push	Pull
Desire for escape	Beaches
Rest and relaxation	Recreation facilities
Health and fitness	Historic sites
Adventure	Reasonable prices
Prestige	Cultural resources
Social interaction	Undisturbed nature
Novelty seeking	Ease of access
Exploration	Cosmopolitan environment
Enhancement of relationships	Climate
Evaluation of self	Safety and security
Regression	Shopping facilities
Learning new things	Celebrity sighting opportunities
Desire for pampering/comfort	Popular attractions
Being entertained	Scenery and landscape
Hobbies	Quality accommodation

personality trait theory that relates to tourism is **optimal arousal theory**. Briefly, the core of this theory is that each of us has some optimal level of arousal at which we feel most comfortable. For some, that level is quite low, leading to a relaxed, slower-paced lifestyle, whereas for many, the optimal arousal level is very high, driving individuals constantly to seek new and challenging activities. A person who is stressed out by work may desire to reduce arousal by seeking a quiet seaside resort to spend some quiet time with a loved one. Another who is bored by the routine of his job and life may instead decide to travel to Europe and test his mettle on the ski slopes of the Alps.

As mentioned in Chapter 1, other factors also play a role in the desire to travel. In addition to the push and pull factors, there are inhibitors to travel. Travel requires time, money, energy, and security. Work and school demands on time may keep a person from traveling. Lack of funds may restrict travel opportunities, and failing health prevents travel altogether for some. Family situations, for example, a new baby or caring for an elderly parent, may limit opportunities to travel. Finally, due to worldwide political unrest, uncertainty about personal safety while traveling has made many hesitant to travel. The extra security now mandated at many airports, borders, attractions, and events has dampened the carefree attitude some may have had prior to the increase in terrorist attacks on civilians, especially travelers, around the globe.

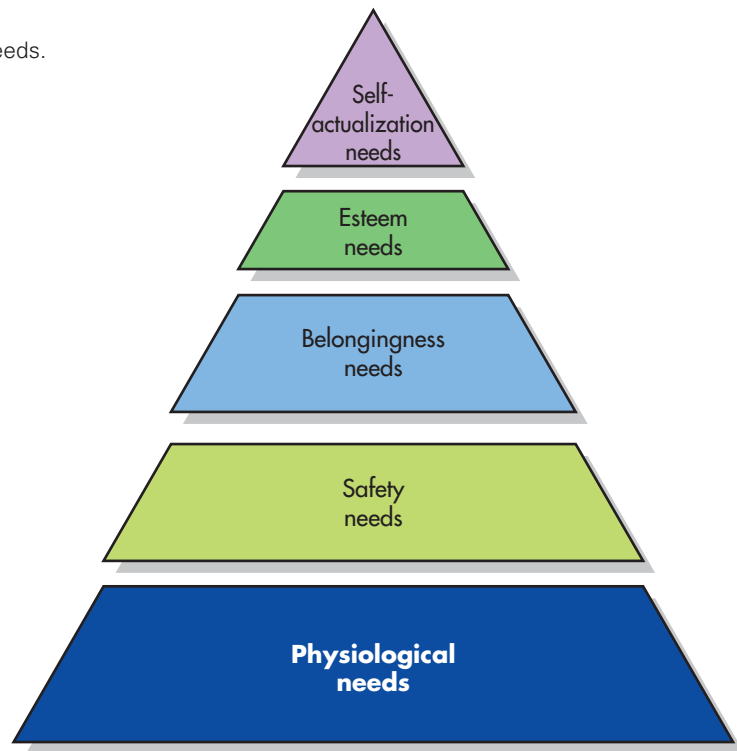
## Maslow's Hierarchy of Needs

Abraham Maslow provided a good general framework for describing human needs in his classic model depicting the hierarchy of needs.<sup>8</sup> This hierarchy, as can be seen in Figure 2.2, begins at the bottom with basic physiological needs and progresses upward through safety, belongingness, esteem, and self-actualization needs. Maslow further grouped these needs into two broader categories: lower-order and higher-order needs. He believed that this hierarchy of needs was shared by everyone. Although the hierarchy of needs model was developed to explain human behavior and motivation in general, we will see later in this chapter how these same concepts can be applied specifically to tourists.

To understand an individual's behavior, we begin at the bottom of the hierarchy and move upward. As each level of needs is satisfied, individuals move up to the next level of needs. At the lowest levels are basic physiological and safety needs. Basic

**FIGURE 2.2**

Maslow's hierarchy of needs.



physiological needs consist of food, water, clothing, shelter, and sleep. Next are safety needs, which consist of protection, security, and the comfort we seek from familiar surroundings. In the advanced economies of developed countries such as Australia, Canada, Great Britain, Japan, and the United States, most consumers' lower-order physiological and safety needs have been met. Because these needs have been satisfied, they are no longer motivators. Individuals often strive to fulfill their higher-order needs through travel.

These higher-order needs include belongingness, esteem, and self-actualization. Belongingness needs include love, friendship, affiliation, and group acceptance. Esteem needs include the desire for status, self-respect, and success. The highest level in Maslow's hierarchy of needs is self-actualization or the desire for self-fulfillment.

Travelers may be seeking to fulfill more than one need when they participate in a tourism activity. Let's put the ideas in Maslow's hierarchy of needs into practice by looking at specific examples in the tourism industry.

#### Physiological

- Tour packages that offer frequent rest stops
- Easily accessible food outlets in theme parks
- Sleeping shelters strategically located along the Appalachian Trail for overnight visitors

#### Safety

- Reservation service provided at government-approved agencies or locations
- Cruise ship lines providing medical facilities and doctors as part of their standard services
- Tour guide services provided in exotic or unfamiliar locations

#### Belongingness

- Group tours with people having similar interests and/or backgrounds

- Group recognition gained by belonging to frequent-user programs provided by airlines, hotels, restaurants, and car rental companies
- Trips made to explore one's ancestral roots

#### Esteem

- Elite status in frequent-user programs such as diamond, gold, or silver "memberships"
- Incentive travel awards for superior company performance
- Flowers, champagne, and other tokens provided to guests in recognition of special occasions

#### Self-Actualization

- Educational tours and cruises
- Trekking through Nepal, a personal challenge to one's physical limits
- Learning the language and culture before traveling to another country and then practicing on arrival

The hierarchy of needs model provides a good foundation as well as a brief glimpse into the fundamentals of motivation. Can you think of other examples?

## The Travel Career Patterns

The Travel Career Patterns (TCPs) developed by Pearce<sup>9</sup> is based on Maslow's hierarchy of needs, but it goes further by providing more detailed insights into specific tourist behaviors. The TCP model attempts to explain individual behaviors on the basis of stages in a tourist's life cycle. When you think about tourist life cycle stages, it may be helpful to remember that they are very similar to the stages individuals experience in their working careers. Just as a person tentatively enters a career and eventually becomes more proficient and effective based on experience, so do tourists as they venture into leisure activities.

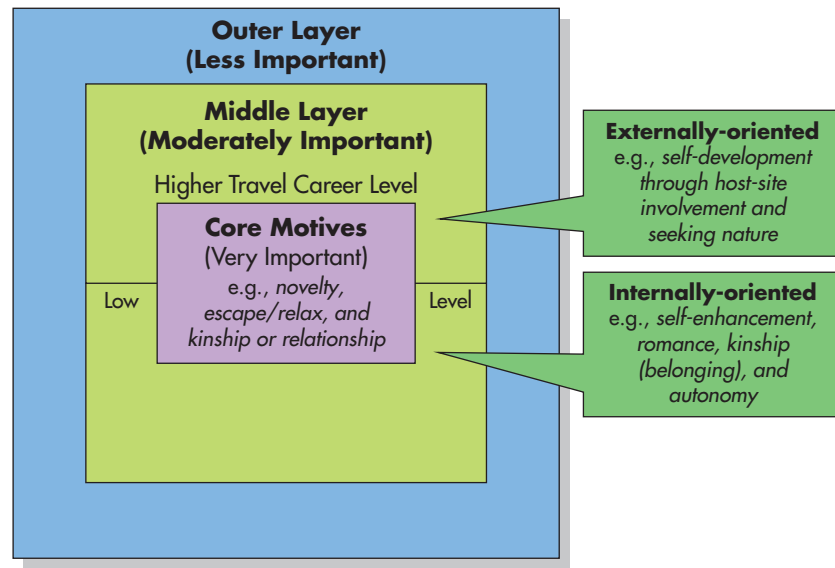
According to Pearce, tourist motivations can be illustrated as three layers, where each layer consists of different travel motives. The most important common motives (e.g., novelty, escape/relax, and enhancing relationships) are found at the center in the core layer. The next layer, surrounding the core, includes the moderately important travel motives, which include internally oriented travel motives (e.g., self-actualization) and externally oriented motives (e.g., nature and host-site involvement). The outer layer consists of common, relatively stable, and less important travel motives (e.g., nostalgia, isolation, or social status). As shown in Figure 2.3, pleasure travelers at all stages of the TCP are influenced by the most important and central travel motives as well as by less important motives. However, as their travel career develops—in other words, as they grow older, pass through the stages of their life span, and gain more travel experience—pleasure travelers' moderately important travel motives shift from internally oriented needs to externally oriented needs.

## The Psychocentric–Allocentric Model

Further attempts to understand and broadly describe the differing wants and needs of tourists have resulted in a widely used model developed by Stanley Plog.<sup>10,11</sup> Based on observable and consistent patterns of behavior, it is possible to use personality characteristics to understand tourists' behavior patterns further (see Table 2.2). Plog accomplished this task by originally classifying tourists along a continuum with **allocentrics** anchoring one end and **psychocentrics** anchoring the other.<sup>9</sup> In an update, Plog suggested the terms **venturers** and **dependables** were better descriptors for the end points.

**FIGURE 2.3**

Travel Career Patterns (TCPs). *Source:* Based on Lee, U., and Pearce, P. L. (2003). Travel career patterns: Further conceptual adjustment of travel career ladder. *Proceedings of Second Asia Pacific Forum for Graduate Students Research in Tourism*, 65–78.



In general, venturers are seeking adventure through travel, whereas dependables are seeking the comforts of familiar surroundings in their tourism experiences. However, as the model shows, most travelers fall between these two extremes and would be classified as near-venturers, midcentrics, and near-dependables. Research has shown that while Plog's model may not provide a perfect picture of an individual's actual travel patterns, it can be useful to marketers as it appears to be effective in providing an understanding of their travel aspirations.<sup>12</sup>

The venturer found at one extreme of Plog's continuum (see Figure 2.4) would be referred to by marketers as an "innovator." These innovators seek out new locations and activities before they are discovered by others. As more people become aware of these locations and activities, information about them is communicated or diffused to

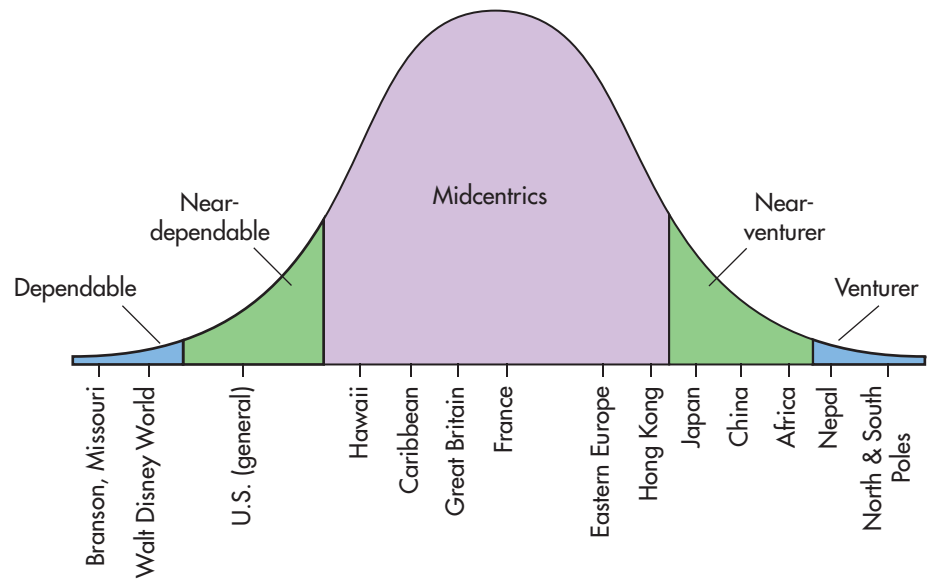
**Table 2.2** Psychocentric–Allocentric Personality Characteristics

Psychocentrics/Dependables	Allocentric/Venturers
Prefer familiar travel destinations	Prefer non-"touristy" destinations
Like commonplace activities at destinations	Enjoy discovering new destinations before others have visited them
Prefer relaxing sun-and-fun spots	Prefer unusual destinations
Prefer low activity levels	Prefer high activity levels
Prefer driving to destinations	Prefer flying to destinations
Prefer heavy tourist accommodations, such as hotel development, family-style restaurants, and souvenir shops	Prefer services such as adequate to good accommodations and food, and few developed tourist attractions
Prefer familiar rather than foreign featuring a full schedule of activities	Enjoy interacting with people from different cultures
Prefer purchasing complete tour packages	Prefer tour arrangements that include basics (transportation and accommodations) and allow for considerable flexibility

*Source:* Based on Plog, S. C. (1974, February). Why destination areas rise and fall in popularity. *Cornell Hotel & Restaurant Administration Quarterly*, pp. 55–58; Plog, S. (2001). Why destination areas rise and fall in popularity. *Cornell Hotel & Restaurant Administration Quarterly*, 42(3), 13; Plog, S. C. (2002). The power of psychographics and the concept of venturesomeness. *Journal of Travel Research*, 40, 244–251.

**FIGURE 2.4**

Psychographic positions of destinations.



*Wading into The Narrows at Zion National Park fulfills venture traveler's needs.* Photo by Sabrina Cook



more and more people. Interest in traveling to these new locations or experiencing new activities passes from the venturer to the midcentric and eventually to the dependable as these locations or activities become commonplace.

The dependable found at the opposite extreme of Plog's continuum would most likely be tradition bound and tend to be uncomfortable with new and different activities and/or locations. These individuals would be interested only in visiting popular locations and participating in customary activities. They desire predictability and the comforting reassurance that other visitors have enjoyed the same experiences.

Dependables can enter a McDonald's restaurant throughout the world and find a familiar atmosphere and menu. On the other extreme, venturers may be drawn by the allure of seeking out unique travel and tourism experiences that have previously gone unnoticed. Taking a rubber raft down the headwaters of the Amazon River or trekking among the highland villages of Nepal might appeal to the venturesome travelers today, but they will be looking for something new and different tomorrow.

The creators of the Disney mystique may be catering to a broad cross section of visitors. For dependables, a Disney theme park assures them of similarity and consistency in operations. However, Disney is continually adding new attractions and entertainment to appeal to a broader market group of visitors. How would you classify yourself along this continuum? To find the answer, log on to [BestTripChoices.com](http://BestTripChoices.com) and take a short quiz.

## Segmenting the Tourism Market

The old saying "You can't please all the people all the time" certainly holds true for tourism service suppliers. Because you can't please everyone, whom should you please? One common approach to answering this question is to focus marketing efforts by segmenting potential customers into groups with fairly similar wants and needs.

Identifying tourism customers and deciding how to meet their wants and needs is a basic task facing everyone in the tourism industry. In large organizations, this task is often given to marketing professionals. For example, according to the vice president for Revenue Management at MGM Brands, "The finer we can segment our market, the better we can target and get the right product in front of the right customer in the right channel at the right price."<sup>13</sup> (p. 112) In smaller organizations, such as Jim and Andy's *A Ride on the Wild Side!*, this responsibility might remain with the owner or manager.

As we discussed in Chapter 1, the marketing concept creates a customer-oriented philosophy that is essential to meeting visitors' wants and needs. Let's think about the questions raised by Jim and Andy as they considered the future of their rafting business. They both agreed on the importance of knowing more about marketing, sales, and customer service, but they weren't sure where to start.

The starting point for any organization planning to implement the marketing concept is to learn more about its customers. But, who are these customers? Although it may sound appealing to think of everyone as a potential customer, marketers have learned that this usually does not lead to a high level of customer satisfaction. A common example with which we can all identify will help explain this statement.

Imagine for a moment you are the president of a major lodging company. You decide that it would be profitable to come up with the perfect hotel—a hotel at which everyone would want to stay. Is such a dream possible? If you designed the "average" hotel—rooms, a restaurant, and a swimming pool—do you think every potential guest would be equally satisfied with this hotel? Of course not. Some guests want inexpensive accommodations and have no need for any amenities other than a clean, comfortable room for the night, whereas others want to be pampered and select from a large variety of services, room types, and amenities. With this in mind, could you design an "average" hotel that would satisfy everyone? Probably not, because trying to meet everyone's needs and wants with the same services would prove to be an impossible task.



The task of meeting diverse needs and wants led to the idea of **market segmentation**. Instead of trying to meet everyone's needs and wants with a single product or service, marketers divide the large, **heterogeneous** market for a good or service into smaller but more **homogeneous** market segments. A heterogeneous market is one composed of people having differing characteristics and needs, whereas a homogeneous market is one with people of similar characteristics and needs.

The task of grouping millions of travelers into groups with similar needs and wants may appear to be a bit complex at first. However, this process can be simplified if we begin to think of the tourism market as a large jigsaw puzzle. Each piece of this puzzle (i.e., each consumer) is unique. Once several pieces are put together, they begin to form similar-looking sections (market segments). Finally, when all of these sections of the puzzle are put together, they form the whole picture (the market).

As you saw in Chapter 1, it is possible to begin segmenting the tourism market by using the broad reasons people give for traveling: vacation and leisure, visiting friends and relatives, and business and professional. Although these broad reasons for travel may provide some initial insight into potential tourism market segments, they do not provide the level of detail needed to understand specific consumer needs. What are needed are segmentation approaches that clearly describe travelers and that can be used as a basis for planning to meet their needs and wants.

Common approaches (called “bases”) to segmenting markets can be achieved by grouping customers according to the following variables:

1. Geographic characteristics
2. Demographic characteristics
3. Psychographic characteristics
4. Product-related characteristics

These segmentation variables provide a good starting point as we begin to fit the pieces of the tourist jigsaw puzzle into a meaningful picture. Each of these segmentation approaches also serves to highlight the breadth, depth, and differences to be found among individuals and groups of tourists. However, as we begin to study groups of travelers, do not lose sight of the importance of meeting individual needs. Remember, Maslow, Pearce, and Plog showed that although we may behave in similar ways, we are all still individuals! The brand boom taking place in the hotel industry demonstrates the importance of serving the needs of varying segments of travelers. With over 350 brands, and many of them part of the same parent company, there is a hotel to cater to everyone's needs.<sup>14</sup> We will explore hotel brands in more detail later in this chapter and also in Chapter 7.

## Geographic Segmentation

**Geographic segmentation**, grouping potential tourism customers based on their location, is the oldest and simplest basis for market segmentation. Even though people in the same geographic location do not usually have similar wants and needs, their location often has an important impact on their selection of tourism goods and services. Commonly used geographic segmentation variables include nations, regions, states/provinces, counties/parishes, cities, and even neighborhoods.

Geographic segmentation has proven especially useful in segmenting the traveling public. Many tourism facilities and attractions market their services regionally, recognizing that the time and money involved in traveling makes them more attractive to consumers within a certain defined geographic area. For example, the Walt Disney Company advertises Disneyland, located in California, heavily in the western United States and the Pacific Rim countries (such as Japan), whereas it markets Walt Disney World, located in Florida, more heavily in the eastern United States and Europe. On a smaller scale,

Killington Ski Resort in Vermont is promoted to skiers in northeastern North America, whereas Durango Mountain Resort outside Durango, Colorado, tries to attract skiers primarily from the southern and western United States. Would geographic segmentation provide useful information to Jim and Andy about their potential customers?

## Demographic Segmentation

Although geographic segmentation is the simplest and oldest approach to grouping tourists, **demographic segmentation** is the basis most commonly used for market segmentation. Using this approach, consumers are grouped according to variables that define them in an objective, easily measurable way. These variables include classifications such as gender, age, ethnicity, occupation, education level, income, household size, and family situation. **Demographics** are frequently used by marketers because information about people's objective characteristics is routinely collected and widely available. A gold mine of segmentation information for marketers who know how to use it can be found in data gathered and reported by most national government offices, such as Statistics Canada and the U.S. Census Bureau.

Examples of tourism organizations using demographic segmentation abound. Club Med is using demographic segmentation when it attempts to serve the needs of two distinct upscale market segments. One segment is composed of young singles and the other of high-income married couples with children. Tour operators and cruise lines are using demographic segmentation when they develop special tours or cruises featuring nostalgic, educational, religious, or ethnic experiences. Can you think of other examples?

## Psychographic Segmentation

Geographic and demographic variables provide easy approaches to segmenting travelers, but we all know that people are much more different than these simple pieces of information might suggest. For example, most of us listen to music. And, even though age is an important factor in determining the type of music different people enjoy, you probably know people of similar ages who have different tastes. Some Generation Yers enjoy rap music while some enjoy old-fashioned rock and roll and still others prefer the sounds of the classical music. These differences come from what marketers call "**psychographic** variables."

Psychographics were developed by marketing researchers to try to link personality to product or brand usage. Originally, these researchers relied on standard psychological personality measurement.<sup>15</sup> *Personality* refers to a person's unique psychological composite that compels a person to react in consistent ways to his or her environment. Examples of personality traits that are commonly measured by psychologists are introversion/extroversion (outgoingness), need for cognition (think and puzzle things out), and innovativeness (degree to which a person likes to try new things). To better capture a person's "consuming" self, researchers added to personality concepts the measurement of activities, interests, and opinions, called AIOs.

**Psychographic segmentation** involves grouping people on how they live, their priorities, and their interests. Put all this together and you have a description of a person's lifestyle and personality. Psychographic segmentation has been used by cruise lines and resorts to target individuals with similar hobbies, sports preferences, and musical interests.

Sometimes, psychographic segmentation is called lifestyle segmentation. A **lifestyle** is broadly defined as a way of living identified by how people spend their time (activities), what they consider important (interests), and what they think of themselves and the world around them (opinions). Some examples of activities, interests, and opinions that might be important to those working in the tourism industry are included in Table 2.3.

**Table 2.3** Psychographic Lifestyle Dimensions

Activities	Interests	Opinions
Work	Family	Themselves
Hobbies	Home	Social issues
Social events	Job	Politics
Vacation	Community	Business
Entertainment	Recreation	Economics
Club membership	Fashion	Education
Community	Food	Products
Shopping	Media	Future
Sports	Achievements	Culture

Source: Faarup, P. K. and Aabroe, J. (2010). *The marketing framework*. Denmark: Academica. (p.136).

The idea of segmenting travelers based on activities, interests, and opinions might seem familiar, because this approach was popularized by Stanley Plog in his psychocentric–allocentric continuum. More recently, three large psychographic segments have been identified in the American travel market. In a proprietary (privately funded) study based on survey information collected from thousands of travelers, a research firm developed segments by associating values expressed by the survey respondents and the type of vacations they preferred.

The largest segment the study identified is termed the “family getaway traveler” (38% of American travelers). This segment values family time above all else and seeks activities that all members of the family can enjoy together. The second segment is called the “adventurous/education traveler” (31%). This type of traveler values physical activity and challenge, and enjoys interacting with nature. Segment three is composed of “romantics” (28%). As the name suggests, these travelers value intimate companionship and have a primary desire for comfort and relaxation. Do you see yourself fitting into any of these categories? To learn more about psychographic or lifestyle segmentation, consult any consumer behavior textbook.

## Product-Related Segmentation

The previously mentioned bases for segmentation—geographic, demographic, and psychographic—are all used to help marketers move closer to the goal of developing product offerings that better satisfy potential tourism consumers. However, in all these cases, we are indirectly grouping people based on characteristics we assume are related to their needs and wants. Because assumptions can sometimes get us into trouble, marketers often try to segment less indirectly and more directly: They attempt to group potential buyers directly from what people indicate they need or want in a particular good or service. These product-related variables include the following:

1. The benefits people seek in the good or service (e.g., the ability to guarantee the availability of a room at a hotel).
2. The amount of good or service used (light users such as occasional leisure travelers versus heavy users such as business travelers).
3. The degree of company loyalty shown by the consumer in relation to the specific good or service (participation in frequent-user programs).

In Chapter 1, we mentioned that travelers are frequently grouped into leisure versus business categories. These groupings serve as good examples of **product-related segmentation**. Tourism suppliers know that travelers seek different benefits based on the purposes of their trips. Think about the benefits a businessperson seeks in

## FYI VALS™

The most widely used psychographic segmentation system, VALS, developed in 1978 by California firm, SRI International, is now owned and operated by SRI spinout Strategic Business Insights (SBI). VALS segments people based on psychological characteristics that correlate with buying behavior. Extensive survey research was used to identify the eight core types. VALS systems have been developed for countries the world over including the United States, Japan, Venezuela, and Nigeria. If you

would like to determine which U.S. VALS segment you are most like, visit [www.statisticbusinessinsights.com/VALS](http://www.statisticbusinessinsights.com/VALS) and take the test!

Lifestyle measurement has gone global. In addition to the “internationalization” of VALS by SBI, Backer Spielvogel Bates Worldwide is one company that annually surveys thousands of consumers around the globe to monitor changes in the world’s psychographic segments. The company’s effort, called Global Scan, groups respondents into the following five major segments:

Strivers—young people on the run  
 Achievers—slightly older, affluent opinion-leaders  
 Pressureds—largely women, facing economic and family concerns that drain them  
 Adapters—contented older people that still find newness fun and challenging  
 Traditionals—conservative older people who prefer the good old days and ways

Source: “VALS (Values and Lifestyles)—the world’s five major psychographic segments,” Author: David Kurtz, Author: Louis Boone, © 2009, in *Contemporary marketing* 15/e, ISBN: 9781111579715, p. 293.

accommodations compared to the benefits desired by a person traveling on a holiday or vacation. How would these benefits differ?

Business travelers tend to be the “heavy users” of many tourism services, especially air transportation, hotels, and rental cars. Airlines, hotels, and rental car companies have responded to these needs by developing services and forms of promotion that appeal especially to these busy frequent travelers. Services such as ticketless travel, hotel rooms wired for all types of technology, and the computerized check-in kiosks at many airport rental car locations were all developed to appeal to this special group of travelers. Finally, in a special appeal to this group, frequent-user programs were developed expressly to encourage and reward loyalty and repeat patronage.

## Putting Segmentation Knowledge to Work

Now that you know some of the basic approaches to market segmentation, you are faced with yet another challenge: when and how to segment. It would be nice if we could neatly categorize and slice up all travelers into distinct market segments. However, we can encounter several problems in attempting to segment markets. For example, some markets might be too small to segment. In addition, each of us can be classified as members of many different markets, which tends to complicate the segmentation task.

There are almost as many potential market segments as there are groups of people. In fact, many market segments that were not even considered a few years ago, such as travelers with disabilities and volunteerism travelers, are growing in size and importance.

The task of deciding when and how to segment can be clarified by answering the following questions:

- Can the market segment be relatively easily identified and measured in both purchasing power and size?
- Is the segment large enough to be potentially profitable?
- Can the segment be reached efficiently and effectively through advertising and other forms of promotion?
- Is the segment interested in the service offered?
- Is the segment expected to be long term and will it grow or shrink in size?<sup>16</sup>





*Market segmentation helps satisfy differing visitor needs. Vibe Images/Fotolia*

Although this list of questions helps narrow the range of potential segments, the most important reason for segmenting should not be forgotten. Segmenting permits tourism service suppliers to better meet specific customer needs and wants while attempting to increase their satisfaction. Once a segmentation approach has been selected, the next task is to decide which of these segments to target.

Marketers use a five-step approach to accomplish this market segmentation decision process. In Step 1, they choose one or more of the segmentation approaches we have previously described for grouping individuals. Even though we introduced each basis for segmentation separately, most organizations tend to use a combination of these approaches. For example, the Vancouver Aquarium in British Columbia might define its market in terms of geographic location and demographic profile. The aquarium's marketing team might break the potential market for its educational and entertainment services into two geographic segments, such as people within a 200-mile radius of Vancouver and those living more than 200 miles away, and then further group potential visitors by age and family situation.

In Step 2, each segment is profiled in as much detail as is cost-effective. This greater amount of detail provides a more accurate understanding of the needs of the segments and is used in developing a basic outline of the marketing mix that each segment would require. Continuing with our example, management of the Vancouver Aquarium may decide to conduct a comprehensive consumer research study to gather detailed information about the visitors to the aquarium. The decision makers can then develop more thorough profiles of the various segments. In acquiring this consumer information, the research team would need to survey consumers who visit the attraction at different times of the year. Visitors during July may tend to be international travelers from the United States and Japan, whereas visitors in December may tend to be Vancouver locals and other British Columbians.

In Step 3, forecasts are developed for the market potential of each segment being considered. All segments will not be the same in terms of number of potential buyers and amount of purchasing power, nor will they be equally likely to desire the good or service.

**Table 2.4** The Segmentation Process

Step 1.	Select segmentation approach.
Step 2.	Create detailed profile of segments.
Step 3.	Forecast market potential of each segment.
Step 4.	Estimate likely market share of each segment.
Step 5.	Decide which segment or segments to target and design appropriate marketing mix.

In Step 4, an “educated guess” about the share of each segment’s business that the organization is likely to be able to achieve is prepared. Some segments are likely to find the organization’s offerings more appealing than are other segments.

In Step 5, the decision is made as to which segment or segments will be targeted, that is, for which segments a specific marketing mix will be developed. These segments then become the organization’s **target markets**. Returning to our example, although school trips to the aquarium are plentiful and acquaint thousands of area youngsters with its marine species, this segment does not bring in large revenues to cover the cost of operations. Other segments with more purchasing power will also need to be attracted to generate the money necessary to keep the aquarium “afloat.”

Based on the information gathered in this five-step process, as shown in Table 2.4, marketers are able to develop sets of “product, place, promotion, and price” that they hope will be attractive to the segments they have chosen to target. As an illustration, the marketing director of the Vancouver Aquarium may decide that the “within 200-mile radius, environmentally concerned, married retiree” segment has great potential during the fall. She may therefore develop a marketing package that offers these consumers special guided tours (including lunch) on Tuesdays during September and October for one all-inclusive price. She may advertise this package on area radio stations that features easy-listening music. The process of segmenting larger markets and then targeting these specific segments furnishes tourism organizations with the tools to focus their attention on providing appropriate levels of service to their most likely customers. Just like the time and effort it takes to put together an intricate jigsaw puzzle, it may also require time and commitment to identify potential groups of tourism consumers, but the effort will be worth it. When wants and needs are identified and met, tourists will return and often tell others who share similar characteristics about their positive experiences.

An example of meeting these needs can be found with hotels. With the advancement of technology and changes of tourist behaviors, hotels may segment and market to their customers based on rate fences. Researchers have identified four distinctive segments: refund seekers, one-week advance booking lovers, price-sensitive consumers, and nonfenced consumers.<sup>17</sup>

## TOURISM IN ACTION

### PUTTING SEGMENTATION TO WORK IN VACATION PLANNING

The United States Tour Operators Association (USTOA) uses psychographic and demographic cues on its website (<https://www.ustoa.com/dream-vacation>) to help viewers choose the perfect vacation. Website viewers are encouraged to explore their vacation options by selecting from a variety of destinations, activities, and vacation types to discover their perfect “dream vacation.” By clicking on choices that fit their individual desires and profiles, viewers are presented with a variety of tour packages offered by member companies. Using these user-friendly cues, the USTOA better targets its members’ products to potential clients. By putting segmentation to work in vacation planning, USTOA has simplified the process of finding the perfect vacation options for group travel with “like-minded” individuals.



## Specialized Tourist Segments

Five large and distinctive segments of tourism consumers deserve special discussion because of their size and importance to the industry. These segments are business and professional travelers (product-related segmentation), incentive travelers (product-related segmentation), SMERF groups (psychographic segmentation), mature travelers (demographic segmentation), and special-interest travelers (psychographic segmentation). Let's take a brief look at the size, importance, and common characteristics of each of these segments.

### Business and Professional Travelers

**Business travel** is considered to be the backbone or “bread and butter” of the tourism industry because businesspeople are often required to travel as a part of their day-to-day activities. Worldwide, direct spending on business travel including expenditures on meetings, events, and incentive programs reached \$1.12 trillion in 2013 and should grow by over 7% a year through 2017. The most rapid growth in business travel and spending is projected to occur in Brazil, Russia, India, and China (the BRIC countries).<sup>18</sup> Because travel is a part of their jobs, the amount of money they spend on tourism services tends to stay fairly constant, and they are not as price sensitive as vacation and leisure travelers. Therefore, the demand for business travel services is fairly inelastic. When demand does not significantly change with price fluctuations, it is said to be inelastic. In contrast, when demand changes substantially as price fluctuates, it is referred to as elastic. The demand for vacation and leisure travel and tourism services is elastic because it can be significantly influenced by changes in prices.

The prices travelers pay for airline tickets provide an excellent example highlighting differences between **inelastic** and **elastic demands**. When looking at airfares, you may have noticed the least expensive airfares are the ones booked the farthest in advance of the scheduled departure date, or the last-minute sales of **distressed inventory**. Because businesspeople typically have to travel on short notice at specific times and to specific destinations, they are willing to pay higher fares to obtain needed services (inelastic demand). However, because leisure travel is elastic and these individuals can plan their trips in advance or on the spur of the moment, they are attracted to lower airfares and are often willing to travel to bargain destinations just for the fun of the experience. How would the concepts of inelastic and elastic demand work for a downtown commercial hotel experiencing heavy demand from business travelers during the weekdays while attempting to fill the rooms with leisure travelers on the weekend?

Business travel expenses are also one of the largest and most controllable expense categories in any organization. Because these travelers are so important to the profitability and potential success of most tourism service suppliers, it is important for us to know more about these individuals. The task is made easier because there are several characteristics that are common to many business travelers, as can be seen in the information provided in Table 2.5. Business travelers will continue to be more demanding of tourism service suppliers as they come to expect at a minimum the current level of services and benefits as a standard level of performance. The challenge of retaining and satisfying these individuals will depend on identifying the aspects of the travel and tourism experience that can be modified or improved to truly delight these demanding visitors.

Professional travelers are similar to business travelers in many ways, although this type of travel is more elastic than business travel. Professional travel is built around the meeting and convention markets. These markets have grown as transportation, especially by air, has become more available and affordable. As professional travel continues to grow, new and expanded meeting and convention facilities have been developed to satisfy this increasing demand. Along with this growth, new management

**Table 2.5** Business Traveler Profile

Seventeen percent of frequent business travelers take 64% of all business trips.	
Average number of trips	7
Average number of nights per trip	3.2
Average miles per trip	1,128
Traveled by car	60%
Traveled by air	38%
Used a rental car during business trip	25%
Stayed in hotel	65%
Combined vacationing with business trip	62%
Male	57%
Female	43%

Source: Washington, K., and Miller, R. (2005). *The 2006 travel & tourism market research handbook*. Loganville, GA: Richard K. Miller & Associates.

challenges have arisen to serve this specialized market. Some of the key market segments for meeting participants or attendees are associations, businesses, exhibitions and trade shows, religious organizations, political parties, and governments.

For many years, forecasters have predicted the demise of business and professional travel based on the increasing availability and sophistication of electronic communication technology. However, the importance of face-to-face interaction remains important in maintaining business relationships. Many futurists have also predicted a decline in business and professional travel with the introduction of **teleconferencing**. Although teleconferencing serves to introduce people to each other electronically, they will eventually want to meet in person to interact and network. This need for personal contact and interaction has allowed the business travel market to grow even in the face of advancing technology.

In response to the needs of the business travel segment, tourism service suppliers have offered a wide array of services and benefits. Airlines instituted frequent-flier programs and service **upgrades** including premier economy seats as well as business and first-class cabins and have provided corporate pricing, discounts and rebates, travel lounges, and preferred check-ins. Amtrak developed club service with reserved seating, snack and beverage service, and conference rooms on some trains. Car rental companies, following the lead of airlines, established frequent-renter programs that provided corporate pricing, discounts, rebates, upgrades, and special check-in procedures. Hotels and other lodging properties have provided similar benefits to business travelers including corporate pricing, discounts, and rebates; special floors and sections including business centers; frequent-stay programs; and upgrades.

Marriott International provides a good example of how one company has used consumer behavior information to further segment the business and professional travel market successfully. Although Marriott serves the needs of leisure travelers, it has designed multiple types of lodging facilities to serve business travelers in three distinct segments. The first is the luxury collection of brands including The Ritz-Carlton, Bulgari Hotels & Resorts, and Edition Hotels.

The second is the full-service collection of brands, including Marriott Hotels & Resorts, JW Marriott, Renaissance Hotels, and the Autograph Collection. These hotels are targeted to business travelers who want a wide variety of facilities and services while on business trips, such as secretarial support, room service, spas, exercise facilities, conference rooms, a variety of restaurants, and other services. The third is the limited-service collection of brands, including Courtyard by Marriott, Fairfield Inn & Suites by Marriott, Spring Hill Suites by Marriott, Residence Inn by Marriott,

TownePlace Suites by Marriott, and Marriott ExecuStay. These properties were designed expressly with the “limited expense account” businessperson in mind. This type of traveler wants the basics of a business hotel or the comforts of home for an extended stay but doesn’t have the budget or desire to pay for the extras not used.

Even inside each of these broad segments, there are further subdivisions. For example in the limited-service segment, Fairfield is targeted at the value-conscious travelers, while Residence Inn is targeted at the upscale extended stay travelers. A good example of how Marriott has placed hotels to meet a wide variety of guest needs can be seen in the brands that surround the Las Vegas Convention Center. Guests traveling to events at this venue can choose from the Renaissance Las Vegas Hotel, the Las Vegas Marriott, Courtyard, Residence Inn, or Spring Hill Suites. Catering to a variety of needs has become even more important, as there is a growing trend for business travelers to combine pleasure trips with business demands.

## Incentive Travelers

One of the faster-growing segments of the tourism industry is **incentive travel**, which is a sub-segment of the broader MICE (meetings, incentive travel, conventions, and events) segment generating about \$13 billion a year in the United States alone.<sup>19</sup> Employee productivity and motivation are a concern for all organizations, and incentive travel awards are an attempt to achieve higher levels of both. Incentive programs are designed to create competition, with the winner(s) receiving many different types of awards, including complete holiday getaway packages. The good news for the tourism industry is that, in general, if properly planned, people will work harder to receive an incentive trip than any other type of reward, including cash.<sup>20</sup>

Planning incentive travel awards requires creating a party atmosphere for celebrating achievement, so the settings for celebrating these successes are spectacular by design. In the United States, typical destination locations for recipient awards include Hawaii, Europe, and the Caribbean Islands. The up and coming destinations include Africa and China.<sup>21</sup> Trips to these locations often involve recognition award banquets and many other special activities where the recipients can be honored and pampered.

All aspects of incentive travel are structured so that everything is first class, filled with pleasant surprises, and arranged so that participants never have to pay for anything. The incentive travel segment demands the best in service and, at the same time, is willing to pay **incentive tour operators** top dollar for these services. Companies such as BI, Maritz, and Wyndham Jade provide organizations with a one-stop shop for motivation and loyalty enhancement programs designed around rewarding people with incentive travel. These programs can be designed to reward individuals or groups by providing everything from transportation, lodging, food, activities, to entertainment. BI’s efforts to continuously improve its internal processes and customer satisfaction have garnered the coveted Malcolm Baldrige National Quality Award. BI joins only one other tourism service provider, the Ritz Carlton Hotels, to have achieved this distinction of excellence. Because of the size and importance of MICE, we will explore this segment of the tourism industry in more depth in Chapter 4.

## SMERFs

**SMERFs** are not those little blue creatures that became popular Saturday morning cartoon icons and later a movie but is an acronym for a very large, but hard to define and reach, group of travelers. SMERF stands for Social, Military, Education, Religious, and Fraternal. Even though these groups are hard to define and reach, their importance to the tourism industry cannot be overlooked. They are a large market in terms of potential revenue; they tend to hold events on weekends that create traffic when

business travel volume is at its lowest point; and contrary to popular opinion, they are not always price sensitive.

Estimates have placed the market value of these groups of U.S. travelers at anywhere between \$18 billion and \$90 billion annually and growing. Because of the size, growth, and need for personalized service, this market segment is proving to be very attractive to tourism service providers, especially travel agents, tour operators, cruise lines, hotels, and resorts. Because SMERF groups are typically run by volunteers, they pose some unique marketing challenges both in identifying the specific groups and in creating service offerings that cater to their needs. Social groups such as vacation clubs, reunions, weddings, and girlfriend get-togethers may be the hardest of all the SMERFs to identify and target, but they have proven to be the least price sensitive.<sup>22</sup>

## Mature Travelers

Another large and growing segment of tourism consumers is **mature travelers**. The face of the industrialized world's population is changing. Although it is probably a mistake to lump all mature travelers together into a single market, it is important to understand the immense size of this market. The U.S. Census Bureau estimates that the number of senior citizens aged 65 and over in the year 2040 will be 1.3 billion worldwide, representing 14% of the world population.<sup>23</sup> By 2050, those people over 60 years old will more than double, and by 2100 it will more than triple.<sup>24</sup> A good idea of the changes taking place in the mature segment of the tourism market can be seen by looking at the changes taking place in the United States. The American population is aging and will continue to increase as a percentage of the total population. This segment will grow seven times faster than all other age segments.<sup>25</sup> Similar demographic shifts are taking place in many countries throughout the world.

The number of senior citizens in the United States who compose the market segment called mature travelers has been growing at double-digit rates. This rapid growth provides many opportunities for firms who recognize and plan to meet the needs of



*Mature travelers have the time and money to explore the world. Wavebreakmedia/Shutterstock*

**Table 2.6** Profile of Mature Travelers

Represent 21% of all leisure travelers
Comprise 14% of business travelers
Take an average of 4.1 leisure trips each year
Take an average of 6.7 business trips each year
68.3% would like to travel to beach, rivers, and lakes
64.3% like to travel to quiet countryside
57.6% like to travel to natural wilderness
52.9% would like to visit historical sites
Travel primarily by car, truck, or recreational vehicle: 75%
Take long trips: 5.3 nights
Take the longest pleasure trips of all age groups: 948 round-trip miles (avg.)
Age group most likely to purchase package tours

Source: Based on U.S. Travel. (2010). *Travel facts and statistics*. Hsu, C. H. C., Cai, L. A., and Morrison, A. (1995). *Relationships between sociodemographic variables, travel attitudes, and travel experiences*. In K. S. Chon, ed., *New Frontiers in Tourism Research*. Harper Woods, MI: Society of Travel and Tourism Educators.

these travelers. The mature traveler market segment is especially important because these individuals spend 30% more than younger travelers and account for 80% of all commercial vacation travel.<sup>26</sup>

Other significant facts about this group of travelers in the United States that may have gone unnoticed or unappreciated are as follows:

- They are the fastest-growing segment of the travel market.
- They have the time and desire to travel.
- They have the wealth and **disposable income** needed for travel.
- They actively seek the services of travel professionals.<sup>27</sup>

Findings from two different surveys (see Table 2.6) of travelers over the age of 50 provide useful insights into the needs and expectations of this growing market.

Many mature visitors have the time, money, and energy to travel and enjoy family, friends, new sights, adventures, and active lifestyles. Several researchers have found that most mature travelers fall into one of three segments. The first tend to be sight-seers, preferring package tours to cities with a wide variety of urban attractions. They do not like either surprises or the party scene and are very concerned for their safety while they travel. The second segment of mature travelers, are enthusiastic participants, who tend to be younger, better-educated seniors, and they seek adventure and new experiences. They enjoy exploring on their own and mingling with the local population at destinations. The third segment of mature travelers are family focused, preferring travel that results in family time and interactions. They tend to be less affluent and less educated than the other two segments.<sup>28</sup>

Mature travelers are increasingly traveling with their families, at least on some of their trips. Because families are scattered across a country (or even around the globe), more and more families are using vacations as a time for family togetherness, including grandparents and other extended family members on the trip. This emerging segment that is focused on creating memories designed to educate, pass on traditions, and build family ties is called intergenerational or multigenerational travel. These family groups tend to take vacations to destinations that offer a wide variety of activities so everyone, no matter one's age, can find something exciting to do. Las Vegas, Hawaii, and cruises have proved to be popular destinations for these family "reunions."<sup>29</sup>



“One of the biggest challenges, overall, is how to market to the mature travelers. Mature travelers do not want to be seen as ‘mature travelers,’ but merely an older ‘young person’ with distinctive tastes and enthusiasm.”<sup>30</sup> (p. 72) As tourism service suppliers plan to meet the needs of this growing and potentially lucrative market segment, it will be important to recognize their similarities and differences when compared to other traveler segments. While they demand the same types of services as other travelers, these service offerings will need to be adapted to meet their special needs.

Meeting these special needs requires attention to reducing uncertainties, providing opportunities for relational benefits and simplifying the decision-making process prior to purchases. Simple things like providing travel insurance options, creating opportunities to meet others either personally or through blogs and forums, and limiting the complexity of information sources, combined with testimonials, can ease the travel planning and purchase process. Finally, providing opportunities to share experiences through social media postings will enhance the feeling of connectivity and lead to repeat purchases.<sup>31</sup>

## Special-Interest Travelers

Over the past 50 years, tourism has evolved as tourists have become more sophisticated and more discriminating in their tastes and jealous of their limited free time. Originally, tourism was characterized by general-interest tourism. The destination and its variety of attractions were the most important components of the tourism product and the primary motivators for leisure travel. Today, more and more travelers are focusing their vacation attention on experience and are selecting a destination based on the ability to participate in one or more of their favorite pastimes. This selective form of tourism is now called **special-interest tourism (SIT)**. SIT is “defined as tourism

### TOURISM IN ACTION

#### FOCUSING IN ON SENIOR TRAVELERS

Developed in 1975 as Elderhostel to fulfill the educational and travel needs of the increasing senior citizen population, Road Scholar Adventures in Lifelong Learning has long focused on the mature traveler segment of the tourism market. Pioneered at five New Hampshire colleges and universities, the nonprofit Road Scholar organization developed into a nationwide network on college campuses that used dormitories and classrooms during the summer months. The programs provided inexpensive, residential educational programs for persons 60 years of age and over. In 1993, the eligibility age was lowered to age 55.

Since its humble beginnings, the Road Scholar concept has expanded to include programs at over 6,500 different locations in 150 countries. Responding to the expanding affluence and sophistication of the retiree population, Road Scholar now offers travel adventures that are far from two weeks on a traditional New England college campus. International Road Scholar programs span the globe from Antarctica to Iceland and can range from single-site one- or two-week educational tours to four-week treks through several countries.

For example, Road Scholar offers such exotic programs as a four-week train journey studying Australia’s human and natural landscapes, a two-week expedition to the Cook Islands in the Pacific Ocean, and a three-week journey into the heart of Asia. Participants in any of these programs may extend their travels and adventures by purchasing pre- and post-tour package extensions to the areas they are visiting.

Road Scholar has served the educational and travel adventure needs of over 5 million older adults throughout the world. Given the growth in size and financial resources of the mature traveler segment, Road Scholar should continue to expand and thrive in the 21st century to inspire adults to learn, discover and travel and that the “sky is the limit” when it comes to personal potential—at any age!

*Source: Road Scholar brochure and catalogs.* Road Scholar, 11 Avenue de Lafayette | Boston, MA 02111. Available at: <http://www.roadscholar.org>.



**Table 2.7** Evolution of Special-Interest Tourism

General-Interest Tourist	Mixed-Interest Tourist	Special-Interest Tourist
Where would I like to go?	Where do I want to go, and what activities can I pursue there?	What interest/activity do I want to pursue, and where can I do it?

undertaken for a distinct and specific reason; thereby indicating that the special interest tourist has a specific interest-based motivation for his/her travel to another destination.”<sup>32</sup> (p. 12) Table 2.7 shows the evolution of this tourism transition.

Special-interest travelers come in all shapes and sizes. Tour operators, for example, are now offering tours with a list of special interests/activities (e.g., opera, wine, and battlefields), geographic area (e.g., Antarctica), or affinity groups (e.g., single women, LGBT).<sup>33</sup> These groups are particularly appealing to tourism suppliers for a number of reasons. Often they travel in small groups on very specific itineraries, so they see the planning and knowledge benefits of using a travel agent or specialty tour operator. They highly value education and skill enhancement, so many of these travelers prefer to hire the services of guides. They frequently travel during shoulder or off-season periods, providing revenue when businesses need it the most. Because their special interest is central to their lives, they typically spend above-average amounts on their trips. Take a look at Table 2.8 for a sampling of some typical special-interest trips often taken with tour groups. Have you ever taken an SIT trip? One of the larger and faster-growing special-interest groups of travelers is **sports tourism visitors**, so we will take a closer look at this group.

Rather than traveling for rest and relaxation, more and more of the world’s population is traveling for sports-related reasons. Sports tourism has exploded in the last 10 years and is now seen as a major form of SIT. Sports tourism is “travel away from home to play sport, watch sport, or to visit a sport attraction including both competitive and noncompetitive activities.”<sup>34</sup> (p. 2) Think of the vast array of travel that is included in this definition. Sport team members traveling to out-of-town tournaments are included; booster and alumni clubs trekking to “bowl” games are included; golf fans traveling to the British Open are included; a snowboard/ski club traveling to the Rockies for spring break is included!

Sports tourism is not a new phenomenon. The first Olympic Games occurred nearly 3,000 years ago. In 1852, a New England railroad company sponsored the Harvard–Yale crew competition in part so ridership would increase dramatically. The Northern Pacific Railroad developed the Sun Valley ski resort to generate passengers during the company’s slow season! As sport participation, spectatorship, and team

**Table 2.8** Examples of Special-Interest Trips

Archeological	Bird watching
Culinary	Culture
Dark	Ecotourism
Educational	Genealogical
Heritage	Medical
Shopping	Sports
Volunteer	Winery
Adventure	LGBT

**Table 2.9** Types of Sport Tourists

- |    |  |
|----|--|
| A. | Outdoor/Nature Sport Tourists—Usually must travel substantial distance to participate in chosen sport, as many sports are dependent on a natural resource (e.g., a mountain, a river, a wilderness area). Most of these sports are nonteam and noncompetitive, but some require substantial skill. Frequently, participants return to the same destination many times throughout the year. |
| B. | Resort Sport Tourists—Travel typically to highly developed luxury resorts to participate in such sports as golf and tennis. Some skiers also fall in this category.  |
| C. | Amateur Team Sport Tourists—Travel to participate in a team sport or travel to watch, coach, or support team members. Travel is usually to urban or suburban locations.  |
| D. | Athletic Spectators—Most often travel with group of friends or family members. Travel is to high-profile events (e.g., NASCAR race, Olympic Games) or to scheduled professional or high-profile sport team game.   |

Source: Based on Weed, Mike, and Bull, Chris (2004). *Sports tourism: Participants, policy and providers*. Oxford: Elsevier, Butterworth-Heinemann.

affiliations have increased with the world's increased affluence and health consciousness, sports tourism has exploded as a segment of the tourism market.

Sports tourists are primarily of two types, participatory sport tourists and spectator sport tourists, and these two types can be further grouped (see Table 2.9). Participatory sport tourists tend to be physically active, college educated, relatively affluent, and young (18–44 years old). This type of traveler also tends to participate in more than one activity; for example, a skier by winter may be a golfer by summer.

However, even the least physically active among us can be a sport tourist. Millions upon millions of travelers worldwide are following “their team” or their favorite athlete, and they spend billions for tourism and other services. U.S. Travel estimates that nearly 40% of U.S. adults are sport event travelers, and the percentage in the industrialized world is likely to be high as well.<sup>35</sup> Many of these trips are families traveling to watch a family member compete in a sporting event, so sports tourism is now a major component of family travel. Sport event travel is about evenly split between professional and amateur sporting events, and summer is the peak season for such travel, although autumn is also a popular sports tourism season. Many cities, states/provinces, and even countries have specially designated sports commissions whose primary role is to attract sports tourism events.

## Delivering High-Quality Service

Simply identifying and attracting targeted customers is not enough. Tourism organizations must then meet customer expectations by satisfying their wants and needs. Every component of the tourism industry is service oriented. Therefore, providing consistently high-quality service is the key to establishing and maintaining a successful operation.

Because the tourism market has become more competitive, service quality has become critical for tourism suppliers. It is no longer good enough simply to provide today's demanding travelers with adequate service. Travelers now expect consistency in service, if not superior service. Delivery of superior service requires understanding travelers' needs and expectations. We will talk about the specific knowledge and skills needed to deliver service quality in Chapter 3.

## Summary

We continue our journey through the dynamic world of tourism by starting at the center of the tourism model, where we focus on the millions of people who travel away from home each day. Because it is impossible to serve all of their wants and needs, we learned more about these travelers, their reasons for travel, and how we can meet their needs. As we learned more about these travelers, we could begin segmenting them into groups based on some similar characteristics.

Common approaches to segmenting markets include classifying consumers based on geographic, demographic, psychographic, and product-related characteristics. There are several very large market segments such as business and professional, incentive, SMERF, mature, and special-interest travelers that are particularly important to the future of the tourism industry.

Segmentation and target marketing are used to focus marketing efforts on groups of individuals with

common wants and needs. A segment can then be seen as a distinct target that can be served with its own unique mix of services, prices, locations, times, and promotional activities. When customer wants and needs are properly identified and customer expectations are met, travelers will often tell others about their experiences and return.

Providing service that, at a minimum, results in satisfaction and strives truly to delight customers should be the goal of all tourism organizations. Remember, tourism is a business dependent on human relations and shared experiences. People like to be served and feel that they are welcome, that their business is important, and that service providers care about their experiences. By identifying the specific needs of individuals and groups of guests and visitors, it is possible to meet and exceed their expectations.

## You Decide

Event tourism ranging from art shows and music festivals to athletic tournaments and food fairs are becoming a large and growing travel industry entertainment component. Communities that host these events have been, for the most part, receptive because of their apparent economic benefits. These events provide a variety of leisure opportunities for participants, as well as needed traffic for local tourism service providers. In fact, many of these events are intentionally scheduled during traditionally slow tourism periods to provide an extra boost to the local economy.

Although local residents may greet special events enthusiastically, one event, the motorcycle rally, seems to polarize communities along emotional lines: equally vocal supporters and detractors. Why do these events generate so much local interest? A quick look at their history gives a good indication as to why.

The first recognized motorcycle rally was held in Sturgis, South Dakota, in 1940 and attracted about 200 people. However, today, this sleepy little mountain town “welcomes” over 200,000 rally enthusiasts to this event each year. The success of the Sturgis rally has spawned other rallies in places such as Bainbridge, Georgia; Hollister, California; Daytona Beach, Florida; and Laconia, New Hampshire.

Many of these Sturgis copycat rallies were promoted because the economic benefits could be enormous, but there are other impacts to be considered. Just think about the thundering sounds and raucous partying that occur as thousands of motorcyclists descend on these many annual gatherings. Motorcycle rally participants are a far cry from the genteel crowds that come together for a spring flower show!

Whereas members of the tourism community, from lodging facilities and restaurants to attractions and retailers, who benefit directly from increased expenditures are supporters, local governmental agencies from law enforcement to sanitation are not always quite as enthusiastic. They are the ones who must provide extra services at additional costs, which may not be offset by increased tax receipts. And although local residents may enjoy many of the event activities, they may resent the noise, wild party antics, and other inconveniences created by a sudden influx of revelers.

Governmental officials and local tourism service suppliers face a variety of issues when making decisions regarding endorsing or encouraging the creation and/or continuance of these events. They must weigh the potential economic benefits against the costs and inconveniences they create. If your hometown was presented with the opportunity to host a motorcycle rally, what would you recommend?

## Net Tour

To get you started on exploring Internet links for this chapter, see

[www.ustoa.com](http://www.ustoa.com)

[www.nbta.org](http://www.nbta.org)

[www.RoadScholar.org](http://www.RoadScholar.org)

[www.sric-bi.com](http://www.sric-bi.com)

[www.BestTripChoices.com](http://www.BestTripChoices.com)

[www.incentivefederation.org](http://www.incentivefederation.org)

[www.aarp.org/travel](http://www.aarp.org/travel)

[www.lonelyplanet.com](http://www.lonelyplanet.com)

[www.tripadvisor.com](http://www.tripadvisor.com)

[www.ecotourism.org](http://www.ecotourism.org)

## Discussion Questions

1. What do we mean when we refer to segmenting a market?
2. Why do we segment the tourism market?
3. Identify and provide examples of the common approaches to segmenting the tourism market.
4. Why are business travelers so important to the tourism industry?
5. How do SMERF groups complement the business travel market?
6. Why are mature travelers so important to the future of the tourism industry?
7. Why are special-interest travelers becoming more important to tourism service suppliers?
8. Why are incentive travelers so important to the future of the tourism industry?
9. Why are special-interest travelers so important to the future of the tourism industry?
10. Why should the topic of customer service be important to tourism service suppliers?

## Applying the Concepts

1. Collect several advertisements for tourism-related goods or services. Based on the content of these advertisements, describe the customer segment you believe is being targeted.
2. Browse the Internet and find three tourism supplier home pages. Which segments do you think each is targeting based on the information provided on the home pages?
3. Interview the head of a tourism service supplier's marketing or sales department to find out the segments targeted and the relative importance of each of these segments to overall profitability.
4. Arrange an interview with a member of one of the specialized tourist segments introduced in this chapter. Develop a profile of this segment's travel behaviors. Examples of questions you might ask include: Where do you travel? How frequently do you travel? When do you travel, how do you travel? What do you enjoy doing when you travel? With whom do you travel? What types of service suppliers do you select to meet these needs?
5. Based on what you know about market segmentation, help Jim and Andy by preparing a list describing some of the common characteristics of the people who might be potential customers for their whitewater rafting business.
6. Your family is planning a summer holiday and designated you as the information gatherer. How much information would you collect? What types of information would you collect? What sources of information would you consult?
7. Spring break is a popular travel occasion for many college students. What would be the motivation factors of spring break travel? Can you classify the motivation factors based on one of the tourist motivation models introduced in this chapter?

## Glossary

**Allocentric** See Venturers.

**Business travel** Travel-related activities associated with commerce and industry.

**Consumer behavior** The study of consumer characteristics and the processes involved when individuals or groups select, purchase, and use goods, services, or experiences to satisfy wants and needs.

**Demographics** Characteristics used to classify consumers on the basis of criteria such as age, education, income, gender, and occupation.

**Demographic segmentation** Dividing consumer markets based on demographic data such as age, education, income, gender, religion, race, nationality, and occupation.

**Dependables** Travelers who seek the comforts of familiar surroundings.

**Disposable income** Household income after paying taxes that is available for personal use.

**Distressed inventory** Tourism services that have not been sold as the date of use approaches.

**Elastic demand** A change in the quantity of goods or services used in a proportion that is greater than changes in prices.

**Geographic segmentation** Dividing consumer markets along different geographical boundaries such as nations, states, and communities.

**Heterogeneous** Having differing characteristics and needs.

**Homogeneous** Having similar characteristics and needs.

**Incentive tour operators** Tour operators who specialize in organizing, promoting, and conducting incentive tours.

**Incentive travel** Motivational programs designed to create competition, with the winner(s) receiving travel awards.

**Induced information** Information and messaging that is controlled by the supplier.

**Inelastic demand** A change in the quantity of goods or services used that is not in direct proportion to changes in prices.

**Lifestyle** A mode of living that is identified by how people spend their time (activities), what they consider important in their environment (interests), and what they think of themselves and the world around them (opinions).

**Market segmentation** Dividing a broad market into smaller and distinct groups of buyers—each group with similar needs, characteristics, or behaviors.

**Mature travelers** People aged 55 and older; also called “senior citizens.”

**Optimal arousal theory** Level of arousal or level of activity at which different segments of tourists feel most comfortable.

**Product-related segmentation** Dividing consumer markets according to characteristics such as the amount of use or benefits consumers expect to derive from the service.

**Psychocentrics** See Dependables.

**Psychographics** Consumer psychological characteristics that can be quantified, including lifestyle and personality information.

**Psychographic segmentation** Dividing consumer markets into groups based on lifestyle and personality profiles.

**SMERF** An acronym for the market comprising social, military, educational, religious, and fraternal groups.

**Special-interest tourism (SIT)** Tourism undertaken for a distinct and specific personal reason.

**Sports tourism visitors** People who travel to participate in or view sporting activities.

**Target market (target segment)** A group of people sharing common characteristics that an organization attempts to serve by designing strategies to meet the group’s specific needs.

**Teleconferencing** A meeting that allows people to remain in several locations but come together and communicate through a combination of television and telephone connections.

**Upgrades** Receiving a better class of service or facility than was paid for, such as moving from coach to first class.

**Venturers** Travelers who seek adventure.

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# CHAPTER 3

## Delivering Quality Tourism Services

*We have 50,000 moments of truth out there every day.*

—JAN CARLZON, PRESIDENT, SCANDINAVIAN AIRLINES

### LEARNING OBJECTIVES

**After you have read this chapter, you should be able to:**

1. Describe how services are different from goods.
2. Explain how a service is like a play.
3. Explain the different factors that affect a guest's service experience.
4. Explain how a person develops expectations of a service and how tourism organizations can meet or exceed these expectations.
5. Name and describe the five service quality dimensions.
6. Explain how a comparison of service expectations with the actual service encounter can give rise to three possible satisfaction levels.
7. Explain what tourism managers can do to ensure high-quality service.
8. Explain how negative "breaks from the script" should be handled in order to "turn a frown upside down" and create guest loyalty.
9. List the important aspects of a service guarantee.

### CHAPTER OUTLINE

#### All's Well That Ends Well?

##### Introduction

##### Quality

Defining Quality

Quality Differences

##### Service Encounters

##### Service Quality Model

##### Quality and Customer Satisfaction

##### Human Resources: The Key to High-Quality Service

Bringing Employees into the Organization

Working with Organized Labor

Setting the Stage for Peak Performance

Achieving and Maintaining Peak Performance

#### Anticipating and Meeting Guest Needs

Building Service Teams

Service Mistakes

Mistakes Happen

Be a Can-Do Problem Solver

#### Service Guarantees

#### Summary

#### You Decide

#### NetTour

#### Discussion Questions

#### Applying the Concepts

#### Glossary

#### References

## All's Well That Ends Well?

After a short night's sleep, six hours of air terminal waits and airline flights, and a hectic taxi ride, Jamal and Kayla Johnson were ready for the peace and quiet of their hotel room. However, when they arrived at the Town Center Hotel to begin their vacation in Vancouver, things got off to a bad start. Although they had received an email confirmation of their room reservation two months ago, the Town Center was completely full for that night.

The Johnsons were furious! They showed Mike an email copy of their reservation confirmation. Mike apologized sincerely, admitted the mistake, and explained that several guests had stayed over unexpectedly, so there were no rooms available. Mike next picked up the phone to find the Johnsons suitable accommodations nearby. Although the city was virtually full due to a major conference in town, Mike was able to obtain a suite for the Johnsons at a hotel nearby and explained that the Town Center Hotel would pay for the suite to compensate the Johnsons for their trouble.

To keep their inconvenience to a minimum, Mike also arranged for a taxi to take the Johnsons to their new hotel. To ensure that friends and relatives could contact them if need be, they would be listed in the Town Center database so any calls could be forwarded to their new hotel.

The next day, a room at the Town Center was available for the Johnsons. Mike welcomed them as they returned the next afternoon and again apologized for the inconvenience. As they were escorted to their room by a bellman, Mike thought, "I'll call the Johnsons in about an hour just to check and make sure they are settled in and satisfied." It was an unfortunate situation, but he was certain the Johnsons would forgive the error and give the Town Center another chance the next time they came to Vancouver.



*Welcome snacks and a note from the hotel staff add a personal touch to the lodging experience. Photo by Cathy Hsu*

## Introduction

As you learned in Chapter 1, services are the fastest-growing industry in the world, and tourism is the fastest-growing segment in the service industry. Most of us easily recognize and know where to purchase goods such as smartphones, textbooks, and toothpaste. However, in the tourism industry, we deal mainly with services, not goods. We may find it difficult at times to describe these services, know where to purchase them, or even make clear distinctions between services and goods. Even these distinctions may at times become blurred because some tourism organizations are involved primarily in the delivery of services, whereas others deliver both services and goods.

These differences can be seen in the goods/services continuum shown in Figure 3.1. At one end of the goods/services continuum, you will find organizations such as travel agencies and convention and visitors bureaus that primarily provide services. In the middle, you will find organizations such as restaurants that provide both goods and services. On the opposite end, you will find organizations such as retail shops that provide primarily goods and some services.

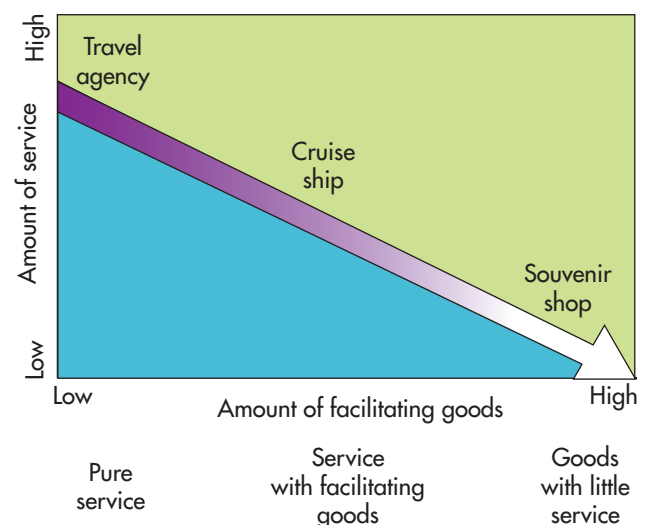
But wait a minute. Didn't we just say that tourism is a service? Yes, but services are often accompanied by something called a facilitating good. **Facilitating goods** are tangible items that support or accompany the service being provided. For example, if you were to call the Israel Government Tourist Office located in Chicago, Illinois, and ask questions about the types of documentation needed for travel into Israel, the answers you received would be a service. If you requested brochures, then you would be receiving both a service and a facilitating good. It is now becoming almost an expectation for many travelers to receive a complimentary breakfast or WiFi as part of their accommodations.

Services provided by these and other tourism organizations are called “intangibles” because they cannot be placed in inventories and then pulled out of warehouses or off of shelves like a can of beans or a flash drive. Services are not only intangible but also highly perishable. Tourism services perish or lose their value with the passage of time just like fresh fruits and vegetables that eventually spoil and must be thrown away. Think about the airplane that has just left the gate, the cruise ship that has just been pushed away from the dock, or the fireworks show that marks the end of a concert. In each of these situations, the opportunity to generate revenue from the seat, cabin, or concert has disappeared forever.

Services are also different from goods because they are actions performed by one person on behalf of another. Sometimes we are merely the recipients of services, but at other times, we become actively involved in the service delivery process. For example, once we call a travel agency to book a flight, we are through with active participation. The travel agent finds the best route and the best flight and reserves seats for us.

**FIGURE 3.1**

Goods/services continuum.



However, some tourism organizations may actively involve customers in the service delivery process: Airline passengers check in via self-service kiosks, use their mobile devices as boarding passes, purchase movies and meals on board; hotels allow guests to check in electronically or check out over the telephone or through the in-room television or their own mobile devices without ever going to the front desk; and restaurants invite guests to serve themselves at salad bars. A wide variety of mobile devices also allow passengers to check on current flight status, find frequent-flier mileage, and confirm upgrades without ever having any human contact in person or on the phone.

## Quality

In the case of tourism, quality and hospitality are two words that are inseparable. When thinking about a high-quality experience in any tourism service, whether a restaurant meal, a hotel stay, an airline flight, or a guided tour, most people think of friendly, helpful personnel who treat them with concern and kindness. The concept of quality with its important hospitality component is the focus of this chapter.

As the tourism marketplace becomes more competitive, quality becomes more crucial for continued financial success. Consumers are more critical and demanding today than they have ever been. Simply providing guests average service is not good enough in this competitive environment. In a market full of tourism suppliers, a company needs to offer more and better service because guests can always take their business elsewhere. For example, for hotel operators, “Service quality and customer satisfaction have gradually been recognized as key factors used to gain competitive advantage and customer retention” (p. 349).<sup>1</sup>

“Virtually every survey of restaurant guests tells a similar story. If a property [hotel or a restaurant] has great service, the guests will come back even if the food is mediocre. Reverse the situation and the opposite occurs: Great food with bad service, and guests will most likely not return. The bottom line? Great service is a necessity” (p. 34).<sup>2</sup> Therefore, to be successful, every organization in the tourism industry needs to understand what quality means to prospective customers and strive to improve the service quality offered so customers keep coming back again and again.

Take a moment to think back on a memorable tourism service experience that you would label as very high in quality. What were the circumstances? Why is this encounter more memorable than others? What aspects of it make you recall it as high quality?

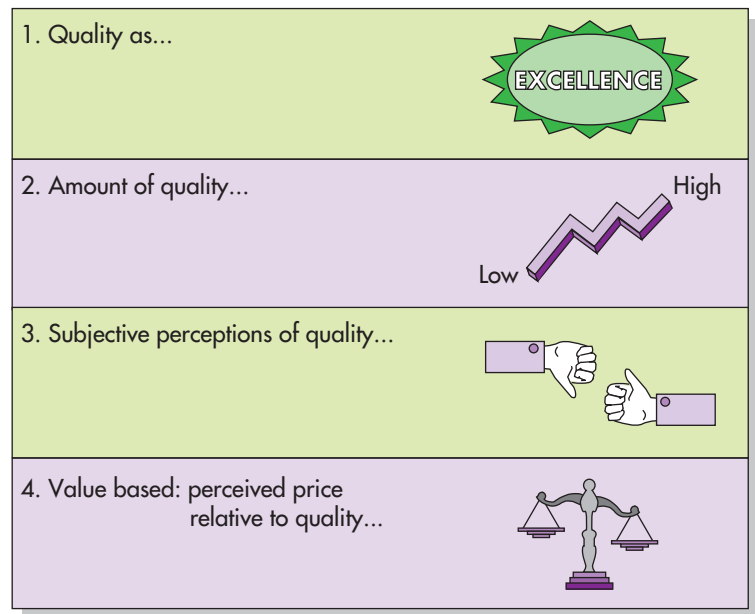
As we have already suggested, different travelers have different needs and wants. What is “high quality” to one may be perceived as entirely unacceptable to another. Think of Mexican food. Some restaurant patrons believe that high-quality Mexican food must make you perspire and set your tongue on fire. Many other fans of South of the Border Fare like their food much less combustible and prefer milder versions of Mexican classics. Those red chili burritos may be delicious to you, but to a friend born and raised in Santa Fe, New Mexico, they may seem bland and tasteless. Likewise, a Mexican tourist visiting a “Mexican” restaurant in Canada might well be surprised and disappointed by what they are served. So, quality is a complex concept, difficult to define in terms on which all can agree.

## Defining Quality

As Figure 3.2 shows, quality can have several definitions. Most of us probably think of quality as synonymous with “excellence.” Technically, from a management and marketing perspective, quality represents a form of measurement like a thermometer or ruler. Products have some amount of quality: We talk of high quality or bad quality, good quality or poor quality. Quality is both objective and subjective in nature. Objectively, we can measure some aspects of quality because they involve objective, or measurable, amounts of certain attributes or ingredients. A spacious hotel room would be rated as higher quality than a smaller one simply based on the measurable dimensions of the two

**FIGURE 3.2**

Quality definitions.



rooms. Likewise, a flight that takes off on time and arrives ahead of schedule would be thought of as higher in quality than a delayed flight, based on the quantifiable aspect of time as measured in minutes.<sup>3</sup> However, this measurable concept of quality is not the complete picture of quality. Much of quality is subjective—in the “eye of the beholder.”

In addition to these objective versus subjective concepts of quality is the idea of value. The value-based definition of quality incorporates the notion of a trade-off: the trade-off between service attributes and service performance with the price paid for the quality received. Even if you are an infrequent flier, you no doubt have recognized the objective quality differences between first or business class and coach. In first class, passengers sit in leather-covered, spacious “lounger”-style seats with more leg room between the rows. In addition, they receive bountiful amounts of food and beverages served on fine china. But do you believe the quality received in first class is worth the difference in price?

First- and business-class airfares are often three to five times as expensive as coach-class fares, yet everyone takes off and arrives at the exact same time in the exact same place. In the case of air travel, the value-based concept of quality therefore involves a person’s perception of the best use of his or her travel and time budget. For example, frequent business travelers value the quiet time and space for relaxing or working that is provided in first-class seating. The values of leisure travelers vary. If you believe that “getting there is half the fun,” you may decide to spend the extra money to enjoy the benefits of first-class travel. But if you believe that the plane ride is simply transportation to be endured in order to get to where the fun starts, you are more likely to save those travel dollars to spend at your destination.

Why is quality so important? Higher quality can result in three important benefits for companies. First, when consumers perceive a company’s product as superior in quality, they are willing to pay higher prices, which can translate into higher profits. Second, superior quality can lead to increased [market share](#).<sup>4</sup> Third, superior quality can generate truly brand-loyal customers. These are customers who will accept no substitutes, do not respond to competitors’ promotions, and pass along positive word-of-mouth messages, enhancing a company’s reputation even further.

Similar to manufacturing companies, service providers should also pay attention to defection management (or customer retention) as good service quality could lead to customer satisfaction and retention. The simple act of retaining customers contributes to increased profits over the years.<sup>5</sup>



## FYI TIPS

One commonly used but often misunderstood measure of service quality is tipping. Although many employees rely on tips to supplement their income,

they may fail to recognize the origin of the term *tips*. TIPS is actually an acronym for the phrase “*To Insure Prompt Service*.” Tips are not automatic; the

amount (if any) a guest leaves is often a pointed comment on the service received.

Can you think of a local tourism provider in your area that has a superior quality reputation? Keep this business in mind throughout the rest of this chapter and see whether the ideas we present explain why this business is such a success.

## Quality Differences

Quality in services, including tourism services, is more difficult to define and measure than in hard goods. When manufacturers design and build hard goods, they engineer in a specified quality level. In some instances, the specification **standards** are very high, as in the case of BMW automobiles, but in most cases, manufacturers focus on the value component of quality. How much quality is the customer willing to pay for? Hyundai is perceived by most consumers as a high-quality car because the value trade-off is positive. For a modest price, the car buyer receives a comfortable, stylish, and reliable automobile. Both BMW and Hyundai design a car with certain **specifications** that are then met in virtually every model that rolls off the assembly line.

Unfortunately, we do not manufacture services. Remember, services are actions performed on behalf of a customer. In most cases, human beings perform at least part of the actions, and therefore consistency in actions is much lower than if a machine performed the actions over and over. Machines can be programmed to repeat the same action thousands of times. People are far less consistent than machines. In addition, tourism services frequently necessitate the input and participation of the consumers themselves. For example, when you go hiking, you are intimately involved in the “production” of that tourism service. Things you control and don’t control, from your skill and decisions about which trails to hike as well as the weather and your companions, play a large part in determining how much enjoyment and “quality” you perceive during your trip.

## Service Encounters

The tourism industry is one of close customer contact, and every interaction between a service employee and a customer becomes a **service encounter**.<sup>6</sup> Both tourism customers and tourism supplier personnel bring to each encounter expectations about what will occur during the interaction. As customers and suppliers, we learn what to expect in tourism encounters from past experiences and from the experiences of others that we observe. In a sense, we all perform an important role in a service encounter “play.” As customers or suppliers, we both have role expectations of each other that dictate appropriate behavior for each party.

In Table 3.1 and Figure 3.3, we extend this theater metaphor for services a little further. Most tourism services have a backstage area referred to as “back-of-the-house” that the audience (guests) does not usually see. Managers of these services must be careful in their choices of props and sets onstage, those service areas guests experience referred to as “front-of-the-house.” Services even have two types of employees, backstage hands, those who work behind the scenes to ensure a smooth running “show,” and front stage actors, those employees who directly interact with guests.



**Table 3.1** Services as Theater: Everyone Has a Role

Services Terminology	Theater Terminology
Employees	Cast
Customers	Audience
Physical facilities	The set
Uniforms	Costumes
Front stage	Those areas that the audience sees
Backstage	Those areas that the audience seldom sees
Manager	Director
Service encounter	Performance
Personal front/"character"	Face/role that cast assumes when front stage (allowed to "break character" when backstage)

*Source:* Grove, Steven, J., and Fisk, Raymond, P. (1983). The dramaturgy of services exchange: An analytical framework for services marketing in emerging perspectives on services marketing. In G. Lynn Shostack, Leonard L. Berry, and Gregory D. Upah, eds. *Emerging perspectives on services marketing*, (pp. 45–49). Chicago: American Marketing Association.

Although we can think of service encounters as little plays that involve **service scripts**, we all realize that they do not involve a rigid, prerehearsed set of lines. After all, a stay at Accor brand Motel 6 in the United States or Formula 1 in Europe is not expected to be as well rehearsed and performed as a Broadway production. Each encounter will be somewhat similar to but also different in some ways from every other encounter, depending on the individual customer and the individual service employee. These service encounters are frequently called “moments of truth” because it is through these encounters that customers derive their quality impressions about a service.<sup>7</sup>

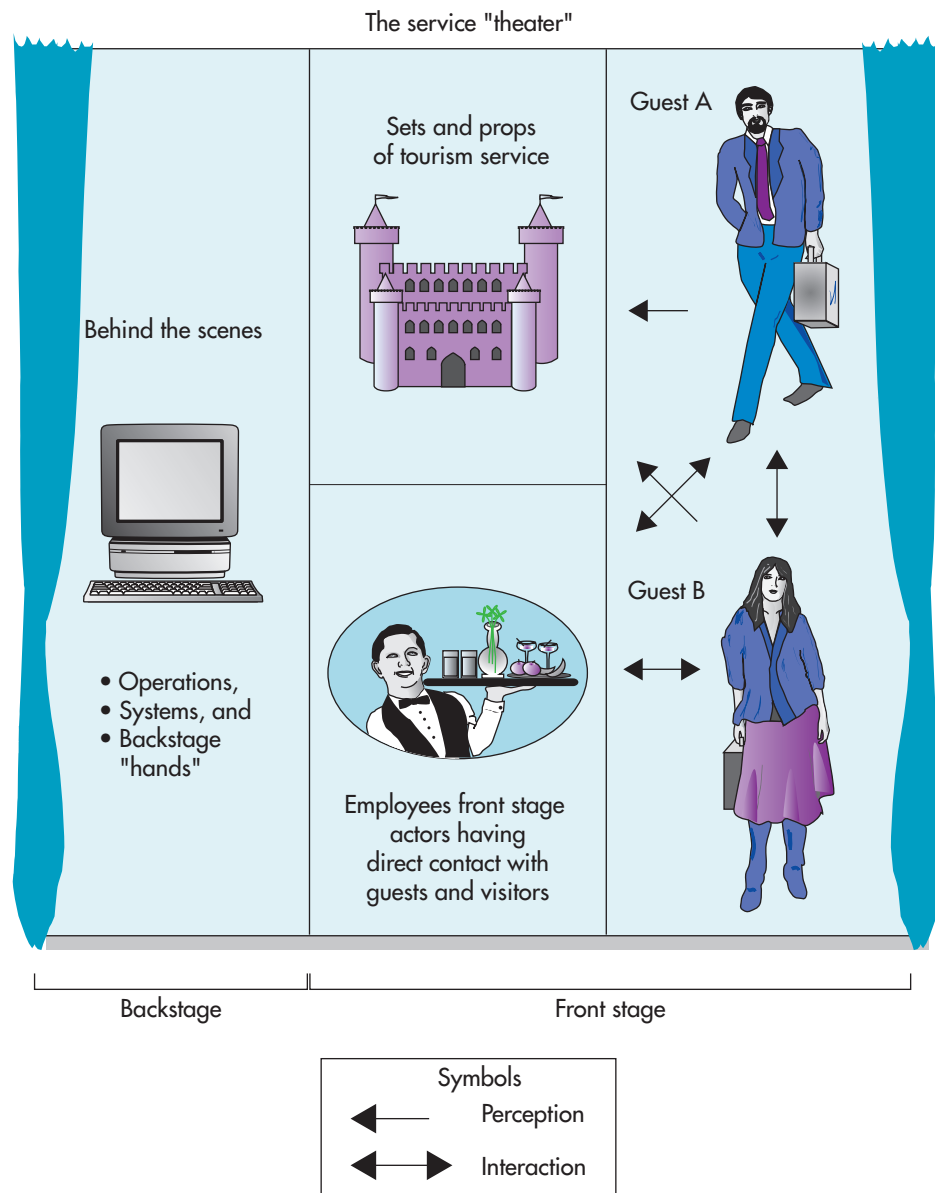
Take a careful look at Figure 3.3 while thinking about your favorite full-service restaurant. What are the backstage parts of the service theater, such as the kitchen, that guests do not usually see but that are important in determining the experience any guest will have? What “staged” areas of the restaurant, from the parking lot to the “powder room,” will the guest encounter that can affect how she perceives the restaurant? Which restaurant employee “actors” is she likely to see and/or interact with whose appearances and actions can influence her quality perception? Finally, think about how other members of the audience can influence the guest’s enjoyment of her meal. Research has shown that customers do judge their dining experiences in three different areas that align with this concept of theater: functional, mechanic, and humanistic, which have all proven to be important influences to determining service quality.<sup>8</sup>

If she is dining with her fiancé, she is probably hoping for a quiet, intimate dinner experience. If the hostess seats a family with three overtired children at the next table, our guest and her date are likely to have a lower-quality restaurant encounter than they had originally hoped for.

This preliminary discussion of service quality and service encounters should help you realize that quality assurance in tourism services is quite a challenge. Management of all the factors that affect service quality requires skilled planning, organizing, staffing, directing, and juggling. What makes quality assurance in tourism services even more challenging is that travelers’ overall satisfaction of a trip is influenced by services provided by multiple tourism suppliers. If any one of the suppliers’ performance is not up to par with customer expectation, the overall trip experience would be less than satisfactory. For destinations and tour operators, how to make sure that

**FIGURE 3.3**

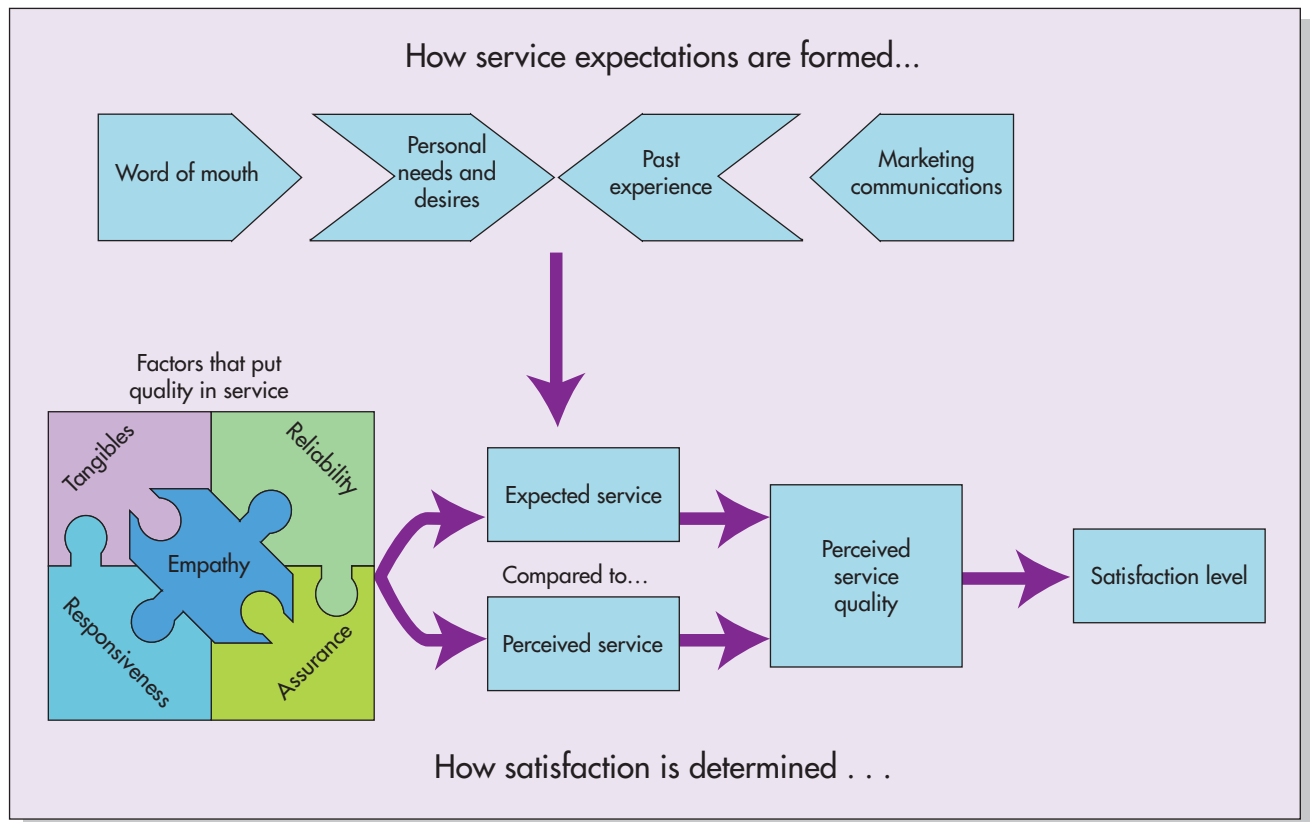
The service encounter as theater. Based on Ideas originally discussed in Tangeard, E., Bateson, J., Lovelock, C., and Eiglier, P. (1981). Marketing of services: New insights from consumers and managers. Report No. 80-104. Cambridge, MA.



services provided by various suppliers are consistent and they work together seamlessly is a major challenge. Thus, to improve service delivery every part of the process must be measured because what can be measured can be improved!

## Service Quality Model

The diagram in Figure 3.4 begins with the factors that lead to quality expectations of a service.<sup>9</sup> When you go to a water park for the first time, do you have some idea of what benefits you will receive from that particular attraction? Of course you do. And how did you develop these **service expectations**? You may have talked with friends who had been to the water park (word-of-mouth communications). You may be going to the water park because you believe it will be fun and provide relief from the heat (personal needs). You may have been to other water parks and therefore have a general impression of what water parks are like (past experience). And, finally, you may have

**FIGURE 3.4**

Service quality model. Source: Adapted from Zeithaml, V. A., Bitner, M. J., and Gremler, D. D. (2009). *Services marketing: Integrating customer focus across the firm* (5th ed.). Boston: McGraw-Hill Irwin.

seen commercials on TV or social media posts giving you an impression of the park (**marketing communications**). These factors combine and lead to expectations about the type of experience you will have during this tourism service encounter.

Once you enter the park, what elements of the experience will be important in shaping your perception of the quality of this park? People generally consider five dimensions when judging the quality of a service. Each of these five dimension can be measured through SERVQUAL, a comprehensive multi-item scale that reliably measures consumer service expectations and perceptions; giving service providers the data they need track and improve their service offerings.<sup>10,11</sup> In Figure 3.4, these dimensions link to the expected and perceived service boxes.

*Tangibles* are those physical aspects of the service that we can see and with which we interact—the physical appearance of the facilities, the equipment we use or that service employees use for us, the appearance and uniforms of the employees, and any signs or other communications materials that are provided. These physical attributes of the service encounter are often referred to as the **servicescape**. For instance, in our water park example, you may be provided with a brochure that includes a map and information about support facilities such as lockers and places to buy a snack or soft drink.

*Reliability* refers to the ability of service personnel to perform the promised service accurately and consistently. For example, if the water park provides you with the opportunity to learn how to snorkel, do the instructors teach you well enough so that you can snorkel without drinking half of the pool? Are employees at the snack bars just as friendly and helpful as those at the locker rooms?



*Tangible aspects of a hotel give customers an indication of the level of service provided.* Courtesy of George Mitchell/Kowloon Shangri-La, Hong Kong

*Responsiveness* involves service employees' willingness to help customers and their promptness in providing service. You expect snack bar personnel to wait on you as soon as possible and to provide your food without unnecessary delay.

*Assurance* is a catch-all quality dimension that involves the faith we have in the service personnel. Do they seem well trained? Are they knowledgeable about the park as a whole? Do they seem trustworthy? After all, lifeguards at a water park literally have guests' lives in their hands.

## TOURISM IN ACTION

### CAB DRIVERS

Many cities are realizing that visitors begin their journey to satisfaction or dissatisfaction immediately on arrival at the air terminal. Who, then, represents the first "ambassador" of a city? The cab drivers! Singapore has had special educational and licensing programs for cab drivers for many years. The drivers must learn guest relations skills and then pass rigorous tests to become officially licensed cab drivers. These skills include proficiency in English, safety, and knowledge of a wide variety of locations.

In the never-ending quest toward continual improvement, the taxicab industry in Singapore has put itself to the test by becoming part of the country's National Customer Satisfaction Index. Based on the survey results compiled to produce this index, taxicab companies can view their ratings and see where they can improve. National Trades Union Congress secretary-general Lim Swee Say noted that "we must never neglect that improving quality service is a daily event, it's a daily challenge."

Over \$1.7 million was raised to fund the first year of this service improvement initiative, which included additional training for 5,000 taxicab drivers, mystery shoppers, and training courses on the finer points of service. The goal is to train 5,000 drivers each year. Cities from London to New York are keeping an eye on these programs with a view toward improving their services.

*Sources:* Based on Kotler, Philip, Haidara, Donald, H., and Rein, Irving. (1993). *Marketing places*. New York: Free Press; Almenora, Maria. (2008, February 23). Taxi industry aims to up service standards. *The Straits Times* (Singapore).

Finally, *empathy* is the “warm, fuzzy” piece of service quality, the part of quality that is heartfelt. Empathy is the quality element that shows that service personnel care about you and understand your needs and frustrations. It involves setting operating hours for the convenience of guests, not management or employees. It includes caring about waiting times and fairness in waiting line systems. For example, our hypothetical water park’s management realizes that many people will be waiting in lines in their bare feet on hot pavement. For guest comfort, they have located shade trees and shade umbrellas over the line areas so that you can jump from one shady area to the next while waiting your turn.

Empathy is also the element of a service that makes us feel special, when service providers recognize that we are individuals. It is the care and individualized attention that is (or is not) provided to us. When a water park “host” suggests that you might need to reapply your sunscreen because your skin is beginning to turn pink, he is showing empathy.

## Quality and Customer Satisfaction

How are expectations of the service received and service quality factors linked? Figure 3.4 shows that customers compare their prior expectations of the service to their “during service” judgments of the five service quality elements—their overall quality perception of “actual quality.” The result of this comparison of **expected quality** to actual **perceived quality** influences the customer’s level of satisfaction. Figure 3.5 shows the three possible satisfaction outcomes customers can have. If a customer perceives that the quality of the service actually received (after-the-fact perceptions) was better than expected, the guest will be pleasantly surprised and highly satisfied. On the other hand, if the guest perceives the service actually delivered to have fallen short of before-the-fact expectations, the guest will be unpleasantly surprised and therefore dissatisfied.<sup>12</sup>

A third quality comparison is also possible. The third possible outcome is that expectations are met exactly. If the service quality received is almost identical to expectations, the guest will likely be “just” satisfied. The guest received the service quality expected and so is neither pleasantly nor unpleasantly surprised.

If meeting a customer’s expectations yields satisfaction, organizations should determine exactly what customers expect and then deliver it, right? Not usually. In many services, such as most tourism services, there are major added benefits to delivering *more than is expected* so that the customers are delighted, not simply satisfied. As some airlines discovered, simply relying on statements that showed customer satisfaction can lead to trouble. Airline customers indicated they were satisfied with the present level of service, but they were eager to switch to carriers that provided improved quality service.<sup>13</sup>

Studies have found that customers who are highly satisfied become more valuable customers. First, delighted customers tend to pass along many more positive word-of-mouth messages than do customers who are just satisfied. Second, these highly satisfied customers are also more likely to purchase again and spend more in the future than are customers whose expectations were met but not exceeded. Finally, highly satisfied customers are unlikely to pay attention to competitors’ advertising and promotional offers. Customers who are merely satisfied are more willing to try out a competitor’s service to see whether it might just be better than the service they have been using.<sup>14</sup>

**FIGURE 3.5**  
Satisfaction equations.





## FYI EMPATHY

A great example of the empathy–quality dimension is provided at the Old Faithful Lodge in Yellowstone National Park. Fishing is one of the most frequently experienced recreational activities

enjoyed by visitors to the park. But what can a hotel guest do with a fish he or she catches? Bring it to dinner! Guests can deliver their personal “catch of the day” to the main dining

room at the lodge, and chefs will prepare it for the guests to eat as their entrée for dinner.

Building and managing a profitable service organization is no easy task. It requires paying close attention to every aspect of the business from the customer to the employee. It has been suggested that this task can be made more manageable by considering a service business to be a service-profit chain of equal and closely interrelated links. “The service-profit chain establishes relationships between profitability, customer loyalty, and employee satisfaction, loyalty and productivity” (p. 120).<sup>15</sup> This chain emphasizes the importance of internal service quality, leading to employee satisfaction, good external service, customer satisfaction, and ultimately revenue growth and profitability. How can this information be used to improve service and ensure that guests are delighted? Keep reading and you will discover the answers to this question.

## Human Resources: The Key to High-Quality Service

A wide range of skills from entry-level dishwashers to senior executives are needed in every service organization. Effectively and efficiently managing these human resources is the cornerstone of success for every organization from entrepreneurial tour companies to large multinational lodging chains. As the complexity of human issues and legal compliance expands each year, the importance of filling and managing the human needs of organizations will continue to increase. In some settings you may find yourself dealing with unions and employees who may consider that they really work for the union and not the organization. So understanding some basics of what is involved with managing the human side of service organizations will be invaluable.

Everyone wants to hire a winner and create a “sustainable competitive advantage.” In large organizations, the human resources department is a means to achieving these goals. In very small firms, this responsibility is usually shared among the immediate supervisor and other management personnel. Some organizations have even found it to be cost effective to contract out or “outsource” some of these activities. For example, many airlines, convention centers, stadiums, and theme parks contract with outside firms to perform cleaning and security services.

With labor costs exceeding 70% of operating costs in many service organizations, it is easy to identify and quantify the value of employees in terms of cost. However, employees are more than just the cost of doing business—they are also organizational assets that management is obligated to safeguard and develop.<sup>16</sup> In fact, as the significance of the human side of many organizations is being recognized, human resource departments are being called, human capital departments.

Guest services almost always require active guest involvement. Service organizations depend on everyone from the front line to the boardroom to deliver customer satisfaction. Guests will perceive, judge, and value their experiences based on the culmination of dozens, even hundreds, of one-on-one service encounters over the course of a visit. Although management must always remain focused on price, market share, and cost savings strategies, it is now more dependent than ever on everyone in the organization to deliver on its behalf.





*The well-trained Disney character cast members interact with guests, personalizing the guests' theme park experience. Disneyland/Alamy*

Shaping organizational culture and implementing change are now central to highly satisfying hospitality experiences. Human resource professionals must become change agents and employee champions in this process by creating **learning organizations** dedicated to continuous improvement and organizational effectiveness. The demand for organizational excellence translates into:

- Encouraging employee participation and commitment to delivering value at every level;
- Developing and expanding employee commitment, capacity, and innovation; and
- Creating a workplace environment where everyone is motivated to excel and is accountable for organizational success.

One of the primary functions of human resource departments in today's service environment is to implement best practices through effective recruitment, selection, training, retention, and team-building programs. These efforts, combined with clear communication of an organization's vision and programs designed to generate and reward desired employee behaviors, create an environment where customer satisfaction can be measured and achieved.

## Bringing Employees into the Organization

When new employees report for work the first day, the manner in which their supervisor and other employees welcome them may have a lasting impact on their future performance. **Orientation** or on-boarding is a process designed to help new employees become acquainted with the organization and understand the expectations the organization and their supervisor have for them. This process is sometimes referred to as the socialization process. Employees want to know what is expected of them in the way of performance. In most large organizations, someone from the human resources department will give new employees general information about the organization, including policies, benefits, and procedures.

In small firms where hiring is sporadic and haphazard during the year, orientation may be less formal and the supervisor may personally choose to "welcome" new employees or

may prefer to assign the new employee to experienced, capable employees who will do all of the orienting including instructing new employees on how to perform the job.

## Working with Organized Labor

Labor unions are common in most industrialized countries. Understanding the importance of these unions and learning to work with them or avoid having to work with them is critical to every organization whether they are unionized or nonunionized. An important aspect of human resource management involves employees and employers having agreements and understandings about a wide array of matters affecting working conditions and the accomplishment of the organization's work. Among these, for example, are how work is to be assigned, how jobs are to be filled, how employees are to be disciplined and rewarded, and how disagreements are to be handled. For many employees in the tourism industry, but especially airlines, gaming, and hotels, these types of questions and issues are formally developed and administered through a representation system by which employee representatives meet with employer representatives to resolve issues that are significant to the interests of both parties. For those organizations that are unionized, it is a matter of learning how to work productively with the representative union.

## Setting the Stage for Peak Performance

Performance management begins during the orientation process of the first few weeks of employment, which are the most tenuous and susceptible to turnover. Even with well-written job descriptions and realistic job previews, new employees bring many preconceived notions with them about a job that can be easily shattered as they collide with on-the-job realities. In addition, new employees may often be subjected to a little “good-natured” teasing from co-workers as they settle in to daily routines. Too many services employees are also literally thrown into positions because someone is needed to get the job done and are left to “sink or swim.” All of this can add to an already stressful situation that can lead to employee discomfort, withdrawal, and premature turnover.

When the right employees have been hired, comprehensive orientation programs can help to alleviate these potential new hire stumbling blocks, setting the stage for successful organizational integration. However, thinking that successful organizational entry can be achieved simply through orientation is short-sighted, since it is only the beginning to organizational assimilation and personal development. The orientation process can be further enhanced through a mentoring system. Assigning mentors for new employees not only provides them with someone who knows the inner workings of the organization, but it also co-ops the mentor into ensuring the successful integration of the new employee, creating a win-win situation.

## Achieving and Maintaining Peak Performance

Think about the different **supervisors** you have worked for. Were they achievement oriented or task oriented? Did their orientation toward getting the job done make a difference in how you worked or how you enjoyed your job? As you think about answering these questions, it becomes clear that supervisors, those first-line managers who are responsible for day-to-day operations, have a huge impact on employees and customers. However you answered these questions, the most effective supervisors gained the cooperation of others.

Research has shown that, “The human element is crucial to ensure quality of tourism-related services, which in turn is fundamental in providing visitors with a memorable experience” (p. 26).<sup>17</sup> Delivering quality services which results in memorable experiences leads to customer satisfaction and ultimately loyalty and improved profitability. Therefore, tourism and hospitality organizations should provide support systems focused on customer contact employees, support employees, and their supervisors that are designed to generate customer delight, repeat business, and profitability.<sup>18</sup>

## Anticipating and Meeting Guest Needs

Table 3.2 provides a quick list of the methods needed to ensure high-quality service. The first step in delivering high-quality service is to learn and fully understand what customers want in a particular tourism service. Tourism managers can uncover specific needs and expectations of customers in a number of ways. First, marketing research can be used to gather information from potential and existing customers. Many companies regularly survey members of their target market to better understand the changing needs and desires of segments they hope to serve. For example, when PepsiCo acquired Taco Bell, management conducted a study of fast-food customers (any fast-food customer, not simply customers who liked Mexican food). From this survey, PepsiCo concluded that fast-food customers had expectations about four things, which can be remembered by the acronym FACT. Customers wanted their fast food really *Fast*; they expected their orders to be *Accurately* delivered; they wanted the premises to be *Clean*; and they expected foods and beverages to be served at appropriate *Temperatures*. With this knowledge, top management redesigned the entire Taco Bell system to better deliver these expected qualities.<sup>19</sup>

Management can also learn about customer expectations and experiences by communicating frequently with customers and by welcoming suggestions from front-line employees who deal on a one-on-one basis with customers every day. At times customers may not know what they want, so efforts should also be made to uncover unknown customer needs. This flow of communication from customers to management is more likely to occur if there are fewer levels of bureaucracy through which the information must pass. After making the restaurant manager's job more customer and employee interactive, Taco Bell has been able to streamline its organization. Taco Bell has eliminated two levels of bureaucracy so that all members of the organization are closer to the customer.

In addition to understanding the customer's needs and expectations, hospitality and tourism managers must be able to hire the right people and train them well. To delight guests, tourism employees must have a positive service attitude; they must have the necessary abilities to learn and perform jobs well; and they must be flexible enough to meet different customers' needs and expectations. Employees with a genuine service orientation will try to anticipate customer needs even before customers realize the needs or ask for such services. Management must decide on proper training for employees and set standards and policies that result in high quality and high satisfaction. However, management needs to remember

**Table 3.2** Management Methods That Ensure High-Quality Service

<b>Learn and Understand Customer Wants</b>	<b>Emphasize Team Goals</b>	<b>Select and Train the Right People</b>
1. Regularly survey customers.	1. Actively participate, support, recognize, and reward teams in achieving goals.	1. Reinforce basic skills and abilities.
2. Frequently interact with customers.	2. Recognize, reward, and reinforce individual behaviors that support and further team progress.	2. Select employees with the following character traits:
3. Actively seek and listen to front-line employee opinions.	3. Give teams the training, tools, and technology needed to achieve the organization's goals.	<ul style="list-style-type: none"> <li>• Positive and willing service attitudes</li> <li>• Flexible and team-based behaviors</li> </ul>
4. Reduce the number of management levels.	4. Train and empower team members to make decisions, solve problems, and make process and service improvements.	

## FYI LISTENING AND RESPONDING

Hotel employees at this major international travel hub received many requests for early check-in and late check-out due to flight schedules.

Hotel ICON in Hong Kong provides a “timeless lounge” where guests can rest and relax before check-in or after check-out. They can enjoy compli-

mentary coffee and tea, use the gym or spa, access free WiFi, and have a comfortable area to sit, read, or take care of business.

that customer expectations will differ and quality perceptions will vary, so employees need to be able to make judgments and adaptations to best satisfy each guest. Remember, one of the key elements to service quality is empathy, and empathy means understanding and appreciating each customer’s specific needs. Employees who are trained to follow policies strictly cannot empathize with customers and meet their needs. Managers are learning that delivering successful customer service requires allowing employees to “think while doing.”

### Building Service Teams

In addition to individual efforts, employees must work together as a team. If you have worked in any tourism industry job, you already know that delivering good service is a team effort. Imagine two different restaurants. One features servers who have a “that is not my table” attitude. The other has servers who constantly help each other out by refilling water at any table needing it and by delivering meals to any table when the meals are ready to come out of the kitchen. The second restaurant is obviously the higher-quality one and demonstrates the benefits of teamwork.

Allowing employees to think as they serve and building teams are not easy managerial tasks, but the rewards are worth the effort. Recognizing individual efforts that lead to team success promotes employee involvement and commitment. When employees understand organizational goals and how to measure their performance in accomplishing these goals, the foundation for improving service delivery has been laid. Understanding



*Airport train service employees line up luggage carts before the train arrives, anticipating customers’ needs. Photo by Cathy Hsu*



the importance of their individual and team efforts leads to organizational success. Promoting teamwork also serves as a powerful tool for overcoming problems created by cultural differences as well as generating shared understandings, building appreciation across functions and between individuals, and increasing skill and knowledge levels.

Teams can be developed and supported by management in a variety of ways. First, management can convey team spirit by being an active member of the team. Employees should be hired, trained, and supported so that all team members know their jobs and can carry their shares of the load to achieve the team's common goals. Second, team members also need to be supported with well-maintained and appropriate technology. Finally, team members should be able to make decisions without constantly having to check with a supervisor.

Some companies allow employees to make decisions using their own best judgment. Other firms train employees to handle a wide variety of customer scripts and problem situations. Put this all together and more in hotel companies such as Joie de Vivre Hospitality and Four Seasons, and you discover the benefits of focusing on employees that ranges from lower employee turnover (less than half of industry standards) to intense customer loyalty.<sup>20,21</sup> Management in these and other successful organizations has discovered the benefits of taking on the role of coach rather than boss so that the entire team can win.<sup>22</sup> After all, management is ultimately responsible for continually improving the service quality delivered to guests.

Singapore Airlines has been recognized for its innovative programs to create high-quality service and employee satisfaction. The “Singapore Girl” has become the corporate symbol of Asian grace and hospitality and a global marketing icon. Its extended training programs that begin with 15 weeks of training when hired is then followed up on a continuous basis with courses designed to enhance service quality.<sup>23</sup>

The Shangri-La Hotels and Resorts is a Hong Kong-based company, inspired by the legendary land featured in James Hilton's 1933 novel, *Lost Horizon*. The name Shangri-La encapsulates the serenity and service for which their hotels and resorts are renowned worldwide. See Table 3.3 for the culture by which company employees share.

As immigration and multiculturalism become more common across the globe, tourism service suppliers will depend on diversity training and education to meet team building as well as guest needs. Managing employees with similarities and differences in language, culture, education, and religion can create a competitive advantage as we deal more effectively with staff and guests.<sup>24</sup>

## Service Mistakes

As illustrated in the chapter opener, although management and employees may want to delight guests in each and every service encounter, problems can occur. Fortunately, most consumers are willing to forgive “service mistakes,” or service failure, when appropriate responses to them occur. What constitutes a service failure that can result in a guest being dissatisfied? In simple terms, a mistake occurs when the customer's expectations are not met—when a customer's “service script”<sup>25</sup> is broken. We have learned that customers' script expectations develop from word-of-mouth and marketing communications, from personal needs, and from past experiences. When customers experience an unexpected change from their **expected script**, we call this a “break from the script.”

A tourism-focused research study investigated these breaks from customers' scripts.<sup>26</sup> Interestingly, the researchers found that there were two categories of breaks from a script. The first type of break is a positive change from what the customer expects. For example, a particularly cheerful and efficient front desk clerk who provides a suggestion for a good, inexpensive place to dine that evening might be perceived as a pleasant change from the expected script—a “positive break” from the script. Positive breaks lead to highly memorable and highly satisfying service encounters that guests enjoy recounting to friends.

**Table 3.3** The Shangri-La Hotels and Resorts Service Culture**Hospitality from the Heart:**

Through the years, our philosophy has been “**Shangri-La Hospitality from a caring family.**” Shangri-La has always believed in the unique characteristics encapsulated by Asian hospitality.

Our commitment to providing guests with distinctive Asian standards of hospitality and service enables us to stand out amongst our peers. This quality remains the cornerstone of our reputation as a world-class hotel group.

“Pride without arrogance” is of particular importance to us. We take pride in our achievements, while remaining outwardly humble.

In striving to delight customers each and every time they stay with us, we aim to exceed expectations through consistent quality and value in our products and services. That’s why we look for trendsetters and professionals who are motivated by innovation and driven by achievement.

**Our Vision:**

To be the first choice for guests, colleagues, shareholders, and business partners.

**Our Mission:**

To delight our guests every time by creating engaging experiences straight from our heart.

**Guiding Principles****We will:**

- Ensure leadership drives for results
- Make guest loyalty a key driver of our business
- Enable decision making at the guest contact point
- Be committed to the financial success of our own unit and of our company
- Create an environment where our colleagues may achieve their personal and career goals
- Demonstrate honesty, care, and integrity in all our relationships
- Ensure our policies and processes are guest and colleague-friendly
- Remain deeply committed to our social responsibility by making a positive contribution to our communities, environment, colleagues, guests, and business partners

<http://www.shangri-la.com/corporate/about-us/shangri-la-culture/>.

Unfortunately, the opposite type of break also can occur. When a change from the expected script is negative, the customer will be dissatisfied. If a front desk clerk doesn’t look up from the computer screen when a guest approaches the desk, the guest is likely to perceive this behavior as a negative break from his expected script and be more than a little annoyed at the lack of service!

## Mistakes Happen

Researchers have found that common negative breaks from the script occur from (1) failures in the core service (a broken-down mattress in a hotel room; an overdone, cold steak; or a bus that breaks down mid-tour); (2) unwillingness to accommodate a customer’s special need or request (to locate a disabled guest on the ground floor of a hotel in a handicapped accessible room, to modify an entrée to fit a patron’s special dietary needs); and (3) unsolicited tourism employee actions (inattention, rudeness, or thievery on the part of an employee). What was the negative break from the script the Johnsons faced in the chapter opener?



Fortunately, the research team discovered that all is not lost when a negative break from a script occurs. Customers will often give tourism providers a chance to make things right. When a tourism encounter is less than satisfactory, the tourism employee can right the situation and “turn the guest’s frown upside down.” This reversal of a service problem is called **service recovery**.<sup>27</sup> However, if a mistake is made and the employee does not make a sincere effort to better the guest’s situation, highly memorable dissatisfaction occurs.

So, the bad news is that mistakes are inevitable in tourism businesses. The good news is that, with proper handling, a negative break from the guest’s script can be reversed and turned into an extra-satisfying, memorable service encounter. Keep in mind that satisfied guests represent potential future flows of revenues and profits, whereas dissatisfied guests represent future losses because they fail to return and they pass negative word-of-mouth comments on to their friends.

## Be a Can-Do Problem Solver

Most service unreliability is rooted in poorly designed service processes, inattention to detail, and simple carelessness. The tourism service team members need to have a “do-it-right-the-first-time” spirit. All team members, managers, and front-line employees should constantly search for fail points—steps in the process that are vulnerable to failure. Attention to these details and suggestions on improvements should be paramount in the minds of all team members. But we know that sometimes service will fail. What can be done then to try to retain the customer? Thankfully, there are several things.

When a customer complains or a service employee somehow senses that a service mistake has occurred, what happens next is critical to customer satisfaction. If the problem is ignored, the customer is likely to be furious and subsequently spread negative comments about the company. If the problem is handled; but not to the customer’s complete satisfaction, the customer is still likely to be dissatisfied and also speak ill of their experience. However, if the problem is solved quickly, the guest is likely to be pleased and recount the story of the incident to friends. In this way, tourism service providers can take a bad situation and make it positive. Research has shown that although organizations may not be able to obtain pre-failure level of service satisfaction, some type of positive recovery can be attained with service recovery strategies.<sup>28</sup>

How can tourism managers ensure that problems are handled and their guests leave smiling? To solve problems, employees must know problems exist. Therefore, managers must encourage customers to voice their problems immediately so that employees can solve them. Because most guests are hesitant about voicing complaints, employees should also be trained to recognize problem situations so that they can fix the problem. And the problem solution needs to occur immediately. This quick response handling is most likely to occur when management gives employees the knowledge and authority to solve problems on their own, without having to check with supervisors.

## FYI LAUGH

Need help remembering the problem solution steps? Just LAUGH. Each letter of the word *laugh* stands for a step on the road to turning a dissatisfying encounter into a satisfying one. Listen. Let the guest relate the problem in detail and really listen to what

is said. Acknowledge that the problem really is important. Understand. Indicate that you understand the situation by reviewing with the customer what has occurred. Give solutions. Provide the guest with a variety of solutions to the problem, and allow

him or her to choose the preferred solution. Hit home with a follow-up. When possible, contact the guest a short time after the problem is solved to make sure that the guest is now satisfied.

“Making things right” for most customers simply involves doing a few simple things. Customers want acknowledgment that the problem exists. They also like to be told why the problem arose in the first place. Next, they want a sincere apology. Finally, customers want to be made “whole” again. In other words, they want some form of compensation that will lessen the cost of the problem to them. They need to be compensated for any bother or annoyance they perceived or experienced because of the problem. Which of these steps did Mike use in the chapter opener to make things right for the Johnsons?

Think of a recent situation in which you were less than satisfied with the service you received and voiced your dissatisfaction. What happened? Did the service employee respond appropriately, as we have just outlined? Did you leave frowning or smiling?

Correcting the immediate mistake and satisfying the customer are a great start to creating a truly service-oriented organization, but there is still more to do. Steps should be taken to make sure that the problem does not recur. This requires figuring out why the mistake happened and making operational or training changes so that it does not happen again. These changes could be very simple or creative. One example of a creative solution to a service problem comes from a theme park in South Korea. Managers were having trouble with employees sticking their hands in their pockets during work. The solution: Sew up the pockets until employees broke this annoying habit. In addition, customer co-participation, being actively involved in the resolution process, may be an effective recovery strategy for service companies as it could: influence satisfaction with the recovery process, encourage repurchase intentions, and be more cost effective than what a company would be prepared to offer.<sup>29</sup>

## Service Guarantees

One way to instill more confidence in guests regarding quality of service is by guaranteeing it. You are probably familiar with guarantees for hard goods. When a good you purchase, for example, a smartphone, proves to be unsatisfactory, producers frequently guarantee your satisfaction by offering you one or more options. In the case of dissatisfaction with a smartphone, the manufacturer may replace it, repair it, or refund your money. In the tourism service environment, it is more difficult to use these options. How does one “replace” an unsatisfactory visit to a theme park? How does management “repair” an unpleasant stay at a hotel, being ignored by a server in a restaurant, or missing your flight due to a mechanical failure? You could get your money back, but that may not fully satisfy you. In most tourism services, one other important difference exists. You must complain face-to-face to another human being to get your money back or have your problem solved. Many of us do not like the confrontational nature of such direct complaining. Our server may “complain” back or become overly embarrassed by our complaint.

So how can a tourism service provider guarantee service quality? By using a customer satisfaction guarantee that has five important features forming the basis for a **service guarantee**.<sup>30</sup>

1. The guarantee should be unconditional with regard to the elements that are under the control of management and the employees. Airlines and other transportation providers cannot control the weather, but they can control most other aspects of your flight or ride experience.
2. The service guarantee should be easy to understand and communicate to guests. It should be brief and worded very simply. Fine print and legal language should not be used to confuse the customer.
3. The guarantee should be meaningful, guaranteeing an important quality aspect to guests. For example, if speed of service (responsiveness) is an important element of quality to lunchtime restaurant patrons, the restaurant might use the following guarantee: “Your meal in just 5 minutes or it’s free!”



The "time guarantee" offered by a restaurant in an airport eases travelers' worries. Photo by Cathy Hsu

4. The guarantee should be easy to collect. The customer should not have to "jump through hoops" to collect, and no guilt should be heaped on the guest for asking for the guaranteed **restitution**.
5. Compensation should be appropriate. How does management decide what is appropriate compensation for a service failure? Management needs to consider not only the price of the service to the customer in money, but also the seriousness of the failure in inconvenience or other bother. Finally, but probably most important, what does the customer think is fair given the problem?

Service guarantees provide assurances to both service personnel and customers that the organization is focused on delivering quality service. When these guarantees are supported with training programs and process reviews focused on continuous improvement; what should be the ultimate goal of every tourism organization—delighted customers, repeat visits, and increased profitability—can be achieved. In pre-purchase situations, research has shown that customers perceive a higher quality for hotels offering unconditional guarantees, significantly lowering customers' perceived risk.<sup>31</sup> It has also been shown that service guarantees, both conditional and unconditional, could be an effective tool to encourage customers to complain about their dissatisfaction allowing employees to apply appropriate service recovery strategies.<sup>32</sup>

## FYI SERVICE GUARANTEES

Service guarantees come in many different forms. Some are in the form of a commitment. For example, management at the Best Rest Inn in Boise, Idaho, uses its welcome sign, "We delight every guest, every day, one guest at a time," as a statement of its service commitment. The Hampton Inn chain uses the slogan "Get what you expect—guaranteed!"

Others are more direct and detailed. For example, Holiday Inn calls its service guarantee its Hospitality Promise. The promise is prominently displayed in each guest room. It reads, "Making your stay a complete success is our goal. Just let our Manager on Duty or front desk staff know if any part of your stay isn't satisfactory. We promise to

make it right or you won't pay for that part of your stay."

Companies that are excellent at problem solving give the customer a list of problem solution choices or ask the customer what would make him or her happy. In that way, the customer decides what the guarantee payout should be.

## Summary

Quality, hospitality, and satisfaction are all crucial concepts in tourism. To a large extent, quality is like beauty: It is “in the eye of the beholder.” The marketing and management challenge lies in identifying how guests judge quality and then measuring these factors so service delivery can be continually improved. Guests judge the quality of a tourism service by five factors: (1) the tangibles of the tourism service, (2) the reliability of the service performance, (3) the responsiveness of employees, (4) the assurance they feel from the tourism provider, and (5) the empathy they are shown during their tourism experience. These five factors combine and yield a guest’s overall quality perception.

Guests have expectations of tourism services that they compare to the service they receive. This comparison determines the level of satisfaction they feel. Guests can be highly satisfied, just satisfied, or dissatisfied with a tourism service. Quality is more variable in tourism services than in manufactured goods because so many factors can change

the quality of the service, from the weather to the mood of the service employee and of customers. When guests are dissatisfied with a service, problem handling becomes paramount. Every effort should be made to fix the problem and satisfy the guests.

Tourism managers can ensure high-quality service and guest satisfaction by researching guest expectations, by acting on employee suggestions for improvements, by hiring and training employees well, and by emphasizing a team approach in service delivery. Managing these employees on a daily basis to meet customer expectations sets the stage for the delivery of quality service. Finally, providing guarantees for services reassures customers and focuses employees’ attention on the important aspects of service quality. When customers are truly delighted with their service experiences, satisfaction levels increase and profitability is enhanced through repeat visits.

## You Decide

What does quality mean to you? Does it mean the same thing to you as to everyone else? Do you expect the same level of service when dining at an upscale sit-down restaurant as you would expect at a quick-service restaurant? Your answer is probably no. The same comparison question could be asked about almost any group of tourism service providers and your answer would be similar.

However, in one segment of the tourism industry, airlines, this question has become an important issue for passengers in recent years. As the industry has struggled with profitability concerns and competitive pressures, it has become apparent that one size definitely does not fit all passengers when it comes to choices in air travel. If it doesn’t matter how you get from point A to point B, all you need is a ticket. However, if you buy a ticket without knowing anything about the airline, you could find yourself flying on anything from a 400-passenger jet flying a nonstop route with snacks and in-flight movies to a 19-passenger turboprop with no service making multiple stops.

Low-cost carriers such as Frontier, Gol Airlines, Jet-Blue, Ryanair, Southwest Airlines, and Spring Airlines think that their customers will define quality based on low price, frequency of flights, and on-time performance. And, they market their services as no-frills experiences. On the other hand, larger carriers such as American, Lufthansa,

Singapore, Qantas, and United think that their customers will define quality in terms of a larger bundle of services such as in-flight meals and entertainment, airport lounges, and extensive route systems. And, they market the expansiveness of their services. To add to this potentially confusing array, there are also regional airlines such as Republic and SkyWest that fly routes for many of the major airlines under something called code-share agreements. So, you could find yourself flying with a company that you might never have heard of.

These differing levels of marketed services have created a dilemma for both the airlines and their consumers. When customers see a particular brand, should they expect a specific level of service? As the airlines struggle to remain profitable, they have begun to blur not only the service lines between brand names but also who provides the service for their brand, as many carriers may be subcontracting these services to other independent carriers under code-share agreements.

Do customers make a conscious quality distinction between these brands or for that matter between carriers in general? What obligation do the airlines have to communicate these distinctions to their customers? What level of service do you think passengers expect or should expect when they purchase their tickets on any of these flights?

## Net Tour

To get you started on exploring Internet links for this chapter, enter the phrase “tourism service quality” into your favorite search engine, or please see

[www.quality.nist.gov](http://www.quality.nist.gov)  
[corporate.ritzcarlton.com](http://corporate.ritzcarlton.com)

[fourseasons.com](http://fourseasons.com)  
[www.qualitydigest.com](http://www.qualitydigest.com)  
[www.singaporeair.com](http://www.singaporeair.com)  
[www.discoverhongkong.com/usa/shopping/quality-tourism-services.html](http://www.discoverhongkong.com/usa/shopping/quality-tourism-services.html)

[www.forbes.com/travel/  
corporate.disney.go.com/corporate/cr\\_human\\_  
resources.html](http://www.forbes.com/travel/corporate.disney.go.com/corporate/cr_human_resources.html)

[corporate.ritzcarlton.com/en/About/GoldStandards  
.htm#motto](http://corporate.ritzcarlton.com/en/About/GoldStandards.htm#motto)

## Discussion Questions

1. Describe how services are different from goods.
2. Define quality using the many meanings the word can have.
3. Explain why the quality of tourism services is harder to define and manage than the quality of hard goods.
4. How are expectations of a tourism service formed?
5. What is a break from the service script? How do breaks from the script affect customer satisfaction?
6. What should a tourism service employee do to “turn a frown upside down”?
7. What can management do to ensure high-quality service?

## Applying the Concepts

1. Use an airline flight to illustrate the service as theater concepts highlighted in Figure 3.3.
2. Choose a local tourism supplier and rate it on the five dimensions of quality. Why does it rate high, average, or low on each dimension? Be detailed in your answers.
3. Describe a recent tourism service encounter in which a service mistake was handled to your satisfaction or dissatisfaction. What was done, or could have been done, to turn your frown upside down?
4. Develop a service guarantee for a tourism service with which you are familiar. Critique your guarantee using the five important features of service guarantees.
5. Look up some tourism organizations on the Internet and read through their corporate information. Identify one company that you consider doing a good job of creating a learning organization and explain why.
6. Based on your work experience, full time or part time, evaluate the process that you were brought into the organization. What was done to set the stage for your peak performance? What was done to help you achieve and maintain peak performance?

## Glossary

**Expected quality** The level of quality that a consumer predicts he or she will receive from a good or service.

**Expected script** The set of steps and statements that a guest expects to occur during a service encounter.

**Facilitating goods** Tangible items that support or accompany a service being provided.

**Learning organization** An organization committed to identifying best practices and creating systems to achieve high-quality standards.

**Market share** The percent of the total market for a good or service that a single company has.

**Marketing communications** Any communication between a marketer and a consumer.

**Orientation** Also called “on-boarding” is a process designed to help new employees become acquainted with the organization and understand the expectations the organization and their supervisor have for them.

**Perceived quality** The level of quality a consumer perceives following the consumption of a good or service.

**Restitution** An amount of money or other item given to make up for some mistake or wrongdoing.

**Servicescape** The physical (tangible) aspects of the service encounter.

**Service encounter** A single episode during which a customer and service personnel interact; often also called a “moment of truth.”

**Service expectations** The quality level of the five dimensions of service expected by a customer.

**Service guarantee** Providing assurances in writing that the level of service promised is provided and, if not, what specific responses will be made in correct to the service failure and make the customer whole.

**Service recovery** The process of reversing a service problem.

**Service script** Learned patterns of behavior that guide interactions during a service encounter.

**Specification** A detailed written description of a procedure or ingredient.

**Standard** A predetermined procedure or amount of an ingredient.

**Supervisors** Individuals who are responsible for day-to-day operations, other employees’ job performance, and provide recommendations to managers on personnel issues.



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# CHAPTER 4

## Bringing Travelers and Tourism Service Suppliers Together

*There are no such things as service industries. There are only industries whose service components are greater or less than those of other industries. Everybody is in service.*

—THEODORE LEVITT, FORMER EDITOR, *HARVARD BUSINESS REVIEW*,  
IN *THE MARKETING IMAGINATION*, FREE PRESS, 1986

### LEARNING OBJECTIVES

**After you have read this chapter, you should be able to:**

1. Explain the importance of intermediaries in the distribution of tourism services.
2. Identify and describe the three different types of distribution channels that are used for tourism services.
3. Describe the roles of travel agencies in bringing tourists and tourism providers together.
4. Describe the roles of tour wholesalers in bringing tourists and tourism service providers together.
5. Explain how and why the Internet has changed the distribution of tourism services.
6. Identify and describe how travelers access information for tourism services.

### CHAPTER OUTLINE

#### One Stop Does It All!

#### Introduction

#### Serving Traveler Needs

#### Why Use Intermediaries?

#### One-Level (Direct) Distribution Channels

#### Two-Level Distribution Channels

Travel Agencies

#### Three-Level Distribution Channels

Tour Operators

Tours

Consolidators and Travel Clubs

Event Planners

#### Tapping the Power of Multiple Distribution

#### Tourism Boards and Other Intermediaries

#### Selling Adds a Personal Touch

Acquiring Product Knowledge

Approaching the Client

Qualifying the Client

Making the Sales Presentation

Closing the Sale

Following Up

Building Relationships

#### Summary

#### You Decide

#### NetTour

#### Discussion Questions

#### Applying the Concepts

#### Glossary

#### References

## One Stop Does It All!

Kristin Hatten has just stepped into the office and already the phone is ringing, the message light is blinking, and her computer screen is filled with email messages. This workday will probably be just like every other workday in her life as a travel agent—always different. The demands of the day will require that she be a true multiprocessor, handling several tasks at once, from answering the phone to entering, retrieving, and verifying data from a sophisticated **computer reservation system (CRS)**, searching the Internet, and responding to a multitude of emails and text messages. At the same time, during all these tasks she must focus her attention on the ultimate goal of providing high-quality individualized customer service. As a travel agent, Kristin serves as an important link between suppliers in the tourism industry and her clients.

As a front-line service employee, Kristin faces a demanding public that often does not understand the constantly changing industry rules and prices with which she must work. On any given day, she may receive information about changing regulations and prices as well as invitations for seminars and **familiarization trips** from destinations, airlines, hotels, resorts, cruise lines, rental car companies, and a host of other tourism service suppliers. Kristin must sort through this information to learn more about the services that will meet the needs of her clients.

Kristin will spend most of her day answering the phone, communicating electronically and serving customers who walk through the door seeking help with their travel plans. She will deal with a wide variety of customers, ranging from her regular business clients who know what they want to first-time customers who have little knowledge about travel and tourism in general. The uncertainties that fill each day can make her job stressful, but the opportunity to learn more about the world and help others meet their travel needs keeps Kristin going.

At the end of a particularly hectic day, she takes a moment to think about her list of appointments and calls to be made the next day. Most of the calls are from her typical leisure customers and require only providing information on basic scheduling options. As she continues reviewing the list, Kristin notices one appointment that she



*Tour guides add a personal touch to the travel experience.* Rough Guides/Dorling Kindersley, Ltd

is particularly looking forward to. Mr. and Mrs. Campbell phoned last week to discuss an upcoming trip they were planning from Lethbridge, Canada, to Vietnam. After obtaining some brief information about the Campbells and their needs, Kristin scheduled an early morning appointment.

Looking at the notes she took during that phone conversation, Kristin begins thinking about the types of information and services the Campbells might want. The Campbells, a recently retired couple, have always wanted to visit Vietnam for a variety of reasons and return home with pictures and stories they could share with friends and relatives. They have been reading extensively and exploring Internet sites to learn more about the history and attractions and have some ideas of where they want to go and what they want to see and do, but they are interested in any suggestions Kristin might offer. Before she leaves for the day, Kristin prints out several different itineraries and gathers brochures, Web addresses, and other information that she thinks will help the Campbells in making their plans for an unforgettable experience.

## Introduction

When people travel, they need a whole range of tourism services. These services may include airline tickets, car rentals, places to stay, places to eat, places to shop, tickets and admissions to attractions, and information about things to do and see. In this chapter, we will explore the basic concepts of services and how marketing, management, and finance decisions have an impact on the way travelers access the services of tourism suppliers. The success and profitability of tourism service suppliers depend on their ability to reach and meet targeted customers' needs effectively and efficiently.

As you learned in Chapter 2, by dividing the larger tourism market into distinctive groups, we can plan and provide services that are targeted to the needs of a specific segment of the tourism market. Once these target customers and their needs have been identified, the goal of service suppliers becomes reaching, serving, and satisfying their needs profitably. This is not an easy task because “competition today demands that service be delivered faster, cheaper, and without defects.”<sup>1</sup> By referring to our model of tourism in Figure 1.2, you will see that many different organizations and approaches have been developed to accomplish this task. In this chapter, we will discover how travelers obtain information about and access to tourism services.

## Serving Traveler Needs

Remember Thomas Cook, who organized and conducted the first large **tour** in 1841? He used a variety of marketing, management, and financial skills as he packaged, sold, and escorted that first organized tour. Cook negotiated reduced fares on a train trip between Loughborough and Leicester, England, and arranged for picnic lunches and afternoon tea for almost 600 people. He was serving as an **intermediary**. As an intermediary, he did not work for the railroad company or the bakery, but he sold their services and goods. His clients benefited from his efforts because he took care of their needs while saving them money; the suppliers benefited from his efforts because they received increased revenues without having to spend additional monies attracting more customers.

Once an organization has developed a service offering, it must be made available for customer use. Consumers are often unable to sample or even see services before purchasing, so they rely primarily on information to make their purchase decisions. Determining how this information will be made available and how travelers will obtain the services they need involves a variety of decisions. For example, should the organization deal with customers directly, or should it rely on others to attract and inform customers about its services? How much money should be spent on attracting customers? Does the organization have the people and talent to distribute information

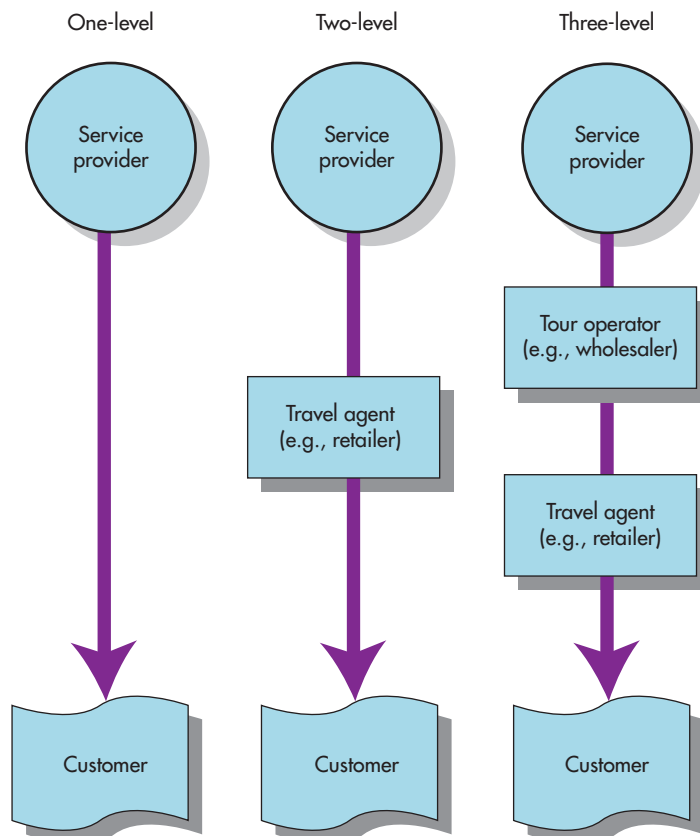
about its services efficiently and effectively, and, at the same time, achieve the desired levels of profit, service quality, and customer satisfaction?

In answering these questions, managers need to consider two key issues. The first deals with who should be involved in bringing travelers and tourism service suppliers together, and the second deals with how to manage these activities. A simple example will help highlight these issues.

Consider for a minute a small coastal resort located in South Carolina. It would probably not have the money or the marketing staff to reach all of its desired target customers effectively. Rather than attempting to accomplish this task alone, the manager of the resort could rely on the help of others. The state tourism office, local visitors bureau, membership in a regional reservations system, cooperative brochures including other local attractions, an interactive website, a Facebook page, hotel-booking sites, and participation in a reservation referral system provide just a few possibilities for informing and attracting potential guests. However, even with all of these efforts, the resort may still not reach enough of its targeted audience to be profitable. To close this information loop, the resort might rely on the professional services of travel agents such as Kristin Hatten, whom we met in the chapter opener. As you will see in this chapter, these are just a few of the alternatives a manager should consider when attempting to reach potential customers.

Travelers need access to a wide variety of tourism services. These services may be as simple as having questions answered about the availability of services or as complex as purchasing a custom-designed **all-inclusive** prepackaged tour. No matter how simple or how complex the needs are, there are several types of distribution channels that can be used to access tourism services and information about these services. These channels may range all the way from one-level direct access to more complex three-level arrangements involving several intermediaries. Figure 4.1 shows typical one-, two-, and three-level distribution channels for tourism services.

**FIGURE 4.1**  
Distribution channels.



## Why Use Intermediaries?

Although tourism service suppliers such as airlines, theme parks, and restaurants may reach some of their customers directly, they can also use the distribution services provided by one or more intermediaries. Intermediaries perform a vital function for tourism service suppliers by making the suppliers' services available to large numbers of potential customers in a cost-effective way. These services may be as simple as providing directions for a motorist at a welcome center to more complex service activities such as packaging, selling, and then escorting tour groups.

Intermediaries in tourism distribution channels perform a variety of value-adding functions. Examples of just a few of these distribution functions are:

- Providing information about the types and availability of service offerings,
- Making reservations and other travel arrangements,
- Preparing tickets and/or providing confirmations,
- Encouraging repeat use of supplier channels,
- Contacting current and potential customers,
- Reducing costs of acquiring new customers,
- Assembling services to meet customer needs,
- Risk taking by buying or booking large quantities of services in advance and then reselling them to individuals and groups,
- Marketing excess inventories, and
- Providing extensive marketing data to tourism suppliers through databases containing targeted consumer behavior information.

The expenses of selling services through an intermediary typically occur in the form of **commissions** and do not arise until the services have been sold or used. The company providing the final service such as the cruise line, hotel, resort, or attraction pays the commission on each ticket sold or reservation used. Increasingly, users are paying some type of service fee to compensate for the demise of commissions. Services may also be purchased in large quantities at reduced costs and resold at higher prices called markups.

Credit card companies are becoming important intermediaries in the distribution of tourism services. Companies such as American Express provide an array of services such as reserving theater tickets and golf tee times for groups of travelers that frequently purchase travel services. In addition to these services for travelers, they can provide key marketing information to suppliers through their data-mining capabilities. Specific service offerings can then be targeted to meet customer needs.

The roles of intermediaries are changing with the advancement of technology, but these advances have not reduced the number of intermediaries in the tourism distribution channels. However, the structure of the tourism industry distribution networks has undertaken large transformations evolving into more complex networks.<sup>2</sup>

## One-Level (Direct) Distribution Channels

**One-level distribution channels** are the simplest form of distribution, providing travelers with direct access to tourism suppliers. In this type of distribution channel, suppliers deal directly with travelers without the assistance of intermediaries. Airlines, car rental companies, passenger railroads, lodging facilities, resorts, restaurants, theme parks, and attractions all rely on online promotions and advertising, including through social media, to encourage people to purchase their products and services directly. These advertising and promotion programs also serve to generate business for other travel intermediaries, such as travel agencies and tour operators.



Information technology offers another promising format for bringing service suppliers and customers together through voice commands, the touch of a keyboard or screen or the click of a mouse. Services such as electronic travel brochures and videos and basic information about airlines, international rail service, passenger bus lines, car rental companies, cruise lines, hotels/motels, and resorts can be accessed through a variety of online services and Internet connections.

The future holds many exciting challenges and opportunities for tourism marketers and service suppliers. How we access and use tourism information is changing radically as information technologies develop and improve. Advances in communication technology have made it possible for travelers to visit faraway places without ever leaving their homes or offices. They can connect to reservation systems through their personal computers or mobile devices; search for related travel information; book flights; make hotel, dinner, and theater reservations; and complete other travel arrangements. We will take a more in-depth look at the transformational role of technology in the tourism industry in Chapter 5.

Airlines, hotels, and other tourism suppliers have encouraged many of these changes because they help reduce operating expenses and develop brand loyalty. “The Internet has brought fundamental change to the economy and to how commerce is conducted. Many businesses use the Internet as a way to bypass product and service intermediaries to deal directly with consumers” (p. 9).<sup>3</sup> When travelers make direct purchases from suppliers, the suppliers save the costs of using intermediaries, usually in the form of commissions to retailers and deep discounts to wholesalers. Low-cost carriers, such as Ryanair and Southwest Airlines, almost exclusively use direct distribution to accomplish the tasks of providing information, making reservations, processing payment, and delivering services.

Hotels have also been aggressively marketing direct sales to lower commission costs that can be as high as 20% through some intermediaries. In addition to controlling costs, customer loyalty can be enhanced through direct booking incentives such as better rates, room-selection privileges, speedier check-ins, and free WiFi.

Traditional channels of distribution of tourism services have evolved to incorporate new communication technologies. Although direct channels, especially **call centers**, have been used by many tourism suppliers in the past, the increased use of the Internet and cloud computing makes the direct channel a more feasible and cost-effective option for suppliers to reach their consumers. As travelers have become comfortable with information technology, they view these new forms of connectivity as a do-it-yourself means to search for tourism service information and for the booking and purchase of travel services.

## Two-Level Distribution Channels

As much as consumers enjoy searching for information and best deals on the Internet, they may soon become overwhelmed by the amount of information available and the time required to find the most suitable products. At the same time, as much as tourism suppliers would like to save costs on distribution, most of them soon realize that they may not have the necessary human or financial resources to engage in direct distribution effectively. As a result, they enter into relationships with intermediaries who are able to perform the distribution functions more effectively.

**Two-level distribution channels** are more complex than one-level direct-access channels. In a two-level channel, **travel agents** (often called advisors, counselors, or planners) serve as intermediaries bringing suppliers and consumers together. Bringing another person or organization in between tourism service suppliers and the travelers may at first seem a bit more complex than the one-level approach to distribution that we just described. However, it can simplify the travel process for consumers and it is often more efficient and effective for both consumers and tourism suppliers.

## Travel Agencies

The beginning of travel agencies goes back to the glorious years of railroads and steamship lines, when agents sold tickets for these carriers and received a commission for their efforts. Thomas Cook, whom you read about previously, started the concept of the travel agent. By making travel arrangements simple and affordable, he was able to attract growing numbers of people to explore places away from their homes and villages.

By the late 1800s, the idea of seeking help for travel arrangements had made its way from Europe to the United States. A gift shop owner in St. Augustine, Florida, can be credited with starting the idea of a travel agency in the United States. Although he probably never planned to be a travel agent, his knowledge of geography, rail schedules, and hotels soon led him to be the local source for travel information. When anyone had a question about travel, he or she was sent to “Ask Mr. Foster.” In 1888, Ward G. Foster turned his love of geography and his hobby of studying maps, transportation, and destinations into Ask Mr. Foster Travel. Ask Mr. Foster continued to grow and eventually became part of one of the largest travel agencies in the world, Carlson Wagonlit Travel, now Travel Leaders.<sup>4</sup>

Although technology has changed, travel agencies still provide important sales and information links between tourism service suppliers and the traveling public. One of the most popular forms of purchasing tourism services is still through travel agencies led by American Express, Navigant, Travel Leaders, and World Travel Partners.<sup>5</sup> However, the form of travel agency being used is changing from brick and mortar to online. Whether through a personal touch, social media interaction, or online point-and-click interfaces, travel agencies act as focal points for many of the sales and reservation activities in the travel industry. Although the Internet has created an environment where various transactions bypass them, many travel arrangements, especially those involving high-end or complex arrangements, still involve this intermediary function.<sup>6</sup> In addition, the phenomenal growth and consolidation that has taken place with online travel agencies (OTAs) has resulted in two massive enterprises—Expedia and Priceline. These two companies have now become the department stores of the tourism industry. Expedia owns Hotels.com, Hotwire.com, Trivago.com, Travelocity.com, and many others. Priceline owns Booking.com, Agoda.com, Kayak.com, OpenTable.com, and many others. Even with tourism suppliers’ efforts to increase direct distribution, travel agents (both traditional and online) continue to represent about half of all travel sales in the United States.<sup>7</sup>

One segment of the tourism industry, cruise lines, has developed and nurtured a close working relationship with travel agents. About three-quarters of cruises are still booked through agents. The multiple steps of a cruise purchase can be daunting. Travel agents can provide advice not only on itinerary, schedule, and price, but also on cruise line, the ship, cabin type, dinner seating, shore excursions, onboard activities and charges, and pre- and post-cruise transportation. An experienced agent can help navigate the complexities and may be able to snag fare discounts, cabin upgrades, on-board credits, and other perks.

Travel agents are no longer just order takers who spend the entire business day making bookings at the client’s direction. In fact, only a small portion of an agent’s day is spent actually making reservations. Travel agents, as consultants, spend much of their time researching travel products and conferring with clients.<sup>8</sup> Internet and online agencies have forever changed the role of today’s travel agent (see Table 4.1). They have adopted a much more consultative role, serving as a travel concierge, and go to great lengths to influence the travel guest’s overall experience. Travel agents are increasingly expected to be subject experts on destinations, and so we see these travel experts focusing on tourism products that they have the ability to make informed recommendations on shopping, night life, and even where the “locals” eat.

**Table 4.1** Travel Agents' Changing Role

Travel Agents	
<i>Pre-Internet Role</i>	<i>Post-Internet Role</i>
<ul style="list-style-type: none"> <li>• Transactional focus</li> <li>• Process transactions and concentrate on travel logistics</li> <li>• Book air, lodging, and car</li> <li>• Majority of compensation from suppliers through commissions</li> <li>• Little or no follow-up with clients</li> </ul>	<ul style="list-style-type: none"> <li>• Travel experience focus</li> <li>• Manage overall travel experience</li> <li>• Book air, car, and hotel</li> <li>• Majority of compensation from markups and service fees</li> </ul> <p>Concierge orientation:</p> <ul style="list-style-type: none"> <li>• Door-to-door delivery of sports equipment and luggage</li> <li>• Theater tickets</li> <li>• Restaurant reservations</li> <li>• Golf tee times</li> <li>• Spa treatments, etc.</li> </ul>

As we saw in the chapter opener, Kristin will need to learn more about the “variety of reasons” the Campbells desire to visit Vietnam and then tailor an **itinerary** to meet their special needs. Experienced travel agents having specific knowledge of where to find or avoid travel services such as singles-only, LGBT (lesbian, gay, bisexual, transgender), nude, and seniors-only hotels, resorts, and cruises can make or break a vacation. Additional services provided by travel guests could include travel document application, door-to-door luggage delivery, theater and dinner reservations, golf tee times booking, and personal tour guides or spa treatment arrangements. Travel agents also have access to products that are still unavailable directly to travelers, such as multi-carrier air tickets, where travel agents have access to greater number of fare and scheduling options through **global distribution systems (GDSs)**. These interline tickets are usually less expensive than single-carrier itineraries.

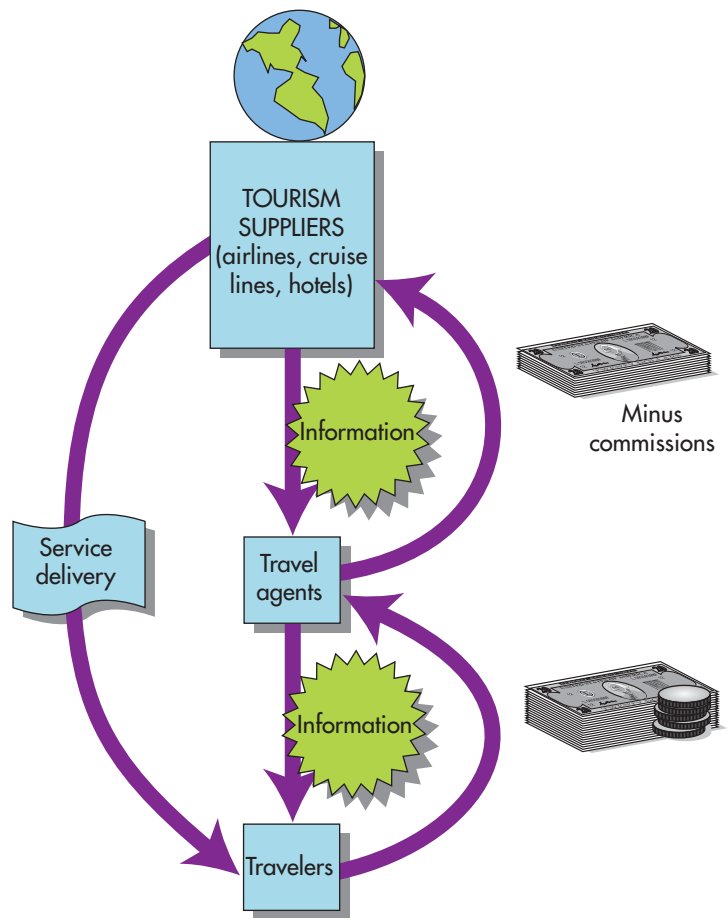
Many travel agencies, brick and mortar as well as online, specialize by focusing their efforts on large target markets such as business or leisure customers, whereas others serve a general group of customers, or a specific market niche such as cruise-only customers. Many travel agents, and some travel agency businesses, have also become more specialized. We see travel agents now focus on high-end luxury travel, adventure travel, and senior travel, just name a few. However, no matter which type of agency is used, these agencies do not take title to (own) the services they are selling. Figure 4.2 shows the flow of payments, information, and delivery of services that are purchased and consumed by travelers through travel agencies.

Even though there are many types of agencies (see Table 4.2) serving different types of customer needs, they all typically provide a common group of services called a “product mix.” These services include providing an **itinerary**; airline, rail, and cruise reservations with ticketing confirmations; car rental, accommodation, and activity reservations; **tour packages**; travel insurance; theater and event ticketing; and general travel information from necessary travel documents to current weather information. As a consumer, recognize the professional status of travel agents and focus your attention on the questions shown in Table 4.3 to get the best possible service.

The growth in OTAs has continued to encroach on the traditional brick-and-mortar customer base. Whereas in the past, a travel agency was largely limited in clientele to its small geographic territory, the Internet has made possible the servicing of clients who are thousands of miles away. Through the use of websites, mobile apps, and electronic mail; agents now compete with virtually all other agents, regardless of where they are

**FIGURE 4.2**

Flow of payments, information, and service delivery.

**Table 4.2** Travel Agency Types

Independent agencies—small agencies, privately owned, unaffiliated with any larger organization; less than 40% of all travel agencies; traditionally serving clients from a walk-in office location or over the telephone.
Agency chains—wholly owned—mega-agencies that have dozens to hundreds of branch offices throughout a region, country, or worldwide.
Agency chains—franchises—semi-independent agencies affiliated with each other through franchise agreements.
Consortium-affiliated agencies—-independent agencies that link together through a consortium to gain the financial benefits of a chain but have lower fees and commissions.
Specialty agencies—agencies that offer limited services, such as cruise-only agencies.
Corporate travel agencies—agencies that provide services to business clients but not regularly to the general public. A corporate travel agency is a private enterprise that specializes in business clientele and may have branch offices on-site at major clients' locations. These agencies are frequently compensated by management fees rather than commissions on the travel services they sell.
Corporate travel department—similar to a corporate travel agency, but agents are employees of the organization in a department that handles most if not all of the travel needs of the organization's employees.
Home-based agencies—agents who conduct their services from their homes, using electronic technology, rather than from an office location in which clients meet with the agent in person; may be independent or affiliated with some organization (e.g., consortium or chain).
Internet (online) agencies—either opaque (hiding service supplier, e.g., Priceline) or transparent (showing service supplier, e.g., Travelocity). Other agencies in this category may be home based, serving clients primarily through the Internet, and use telephone, fax, and postal communications to a lesser degree than traditional agencies.

**Table 4.3** Four Questions to Ask a Travel Agent

1. *What are your qualifications?* Expect an agent to have credentials just as you would an accountant or other advisor. What certifications does the agent have? What industry affiliations does he or she hold? Is the agency part of a greater network of agencies? Is the agent a specialist or expert in a particular industry sector (e.g., cruises) or area of the world (Asia)?
2. *What are your relationships with specific industry members?* Special relationships with a certain airline, cruise line, or hotel chain can work for and against the agency's clients. Links to a cruise line, for example, may result in stateroom upgrades for the agency's clients, these but may also mean that the agency will "push" the cruise line rather than recommending one that better matches your needs or personality.
3. *What will you charge and what will I receive for your fee?* Ask what fees will be charged and determine whether the expertise of the agent is worth the money. An expert on Africa who has booked many trips in the last six months is assuredly worth a \$100 fee.
4. *What are your contact details (e.g., phone numbers, email address, and messaging app ID)?* Agents should return calls promptly and should be available in emergencies to solve problems. The agents who are most worth their salt are those who will go to bat for you when trouble arises while you're halfway around the world from their office.

Source: Based on Loftus, Margaret. (2003, March). The new travel agent. *National Geographic Traveler*, p. 18.

located. And, OTAs are beginning to look a bit more like traditional storefront travel agencies as they attempt to move from promoting the lowest possible prices to planning and customizing trips based on individual interests by adding more planning tools for customers.<sup>9</sup> The Internet also has made the at-home agent more competitive with the in-office agent because the Web client need never know that there is no office (and all its associated expenses) at the other end of the phone or Internet communication link. Some larger agencies are outsourcing to small home-based agencies to serve clients better by offering after-hours reservations, service recovery assistance, information, and so on.

Maintaining profitability within the highly competitive travel agency business requires a combined effort focused on generating sales, offering high-quality customer service, and controlling operating costs. Remember that travel agencies depend on their marketing abilities and programs to generate sales for other tourism suppliers and receive only a portion of these sales in the form of commissions (based on the level of sales, which are referred to as "bookings") or **markups** (the difference between the price for which travel agencies can obtain the service and the price they can charge when selling the service). So, a small travel agency that generates \$1 million in sales may receive only \$80,000 in commissions and markups to cover operating expenses and earn a profit. As commissions continue to dwindle, brick-and-mortar travel agencies must rely on increasing service fees and transform themselves from simply being intermediaries, to "professional infomediaries" (p. 144).<sup>10</sup> By evolving into infomediaries they can become an indispensable component of the travel distribution system.

Because the most efficient brick-and-mortar travel agencies are able to make only a few pennies of profit on each sales dollar, maintaining the financial health of the business by controlling expenses such as salaries and benefits, rent, CRSs, advertising and promotion, utilities, repairs and maintenance, insurance, and other miscellaneous items becomes an important managerial task. Online agencies may have fewer personnel and office costs, but they have significant marketing expenses and face higher technology costs as systems must be upgraded constantly and maintained 24/7.

Airline deregulation and the subsequent elimination of commissions on airline ticket sales in the United States have brought about many changes in the operation of travel agencies. Although the United States and some European airlines no longer pay commissions, they do allow large-volume travel agencies to earn **overrides** and frequently provide them with "conversion ability" for large volumes of business to their routes. This is the ability to convert a regular full-economy-priced airline reservation to a



discounted fare price when all discounted seats are sold out. These two factors have encouraged agency owners and managers to seek affiliation through a **franchise** or a **consortium** (such as Vacation.com) to gain the necessary volume of business that can lead to improved profitability.

Because the majority of travel agency revenues are derived from overrides; commissions on hotels, tours, and cruise line reservations; and service fees, appointment and accreditation by two key agencies are critical to continued success. The **Airlines Reporting Corporation (ARC)** and the International Airline Travel Agency Network (IATAN) operate the financial networks and clearinghouses that allow travel agencies to sell airline tickets. ARC accreditation is the most important because it handles transactions for U.S. domestic airlines, many international airlines, and Amtrak and Britrail as well. IATAN handles transactions for the international airlines that are not processed through the ARC system. The equivalents to the ARC in the accommodations sector of the tourism industry may be Hotel Clearing Corporation's Pegasus Solutions. Pegasus serves thousands of hotel properties and travel agencies around the world by collecting and consolidating hotel commissions.<sup>11</sup>

Whereas some airlines have virtually reduced commissions to zero, hotel companies, such as Marriott, seem to be taking a different approach. By passing a product knowledge test and being certified as a Preferred Travel Agency, Marriott guarantees agencies a full 10% commission plus other money-saving and educational benefits. Travel agencies that do not participate in the program will see their commission rates reduced to 8%. The program called Hotel Excellence! is available in ten languages and teaches travel planners how to sell hotel services.

Although many predictions were made about the demise of the travel agent in an Internet era, the reverse has happened. After a prolonged dip in revenues, travel agencies began to grow as customers sought service. Travelers soon discovered they did not have the time or did not care to invest the effort in finding the best deal. They also were seeking to talk to a person rather than punching buttons to work their way through an automated call system only to be put on hold. With airlines scaling back on staffing in call centers, travel agents have gone back to the basics of providing customer service. The result? Many travel agencies are now experiencing double-digit growth.<sup>12</sup>

## Three-Level Distribution Channels

**Three-level distribution channels** involve many of the same activities and characteristics found in the previously described two-level or indirect-access channels. However, in addition to travel retailers, they bring in another layer of intermediaries, travel wholesalers, who assemble and market tours and other tourism products. By doing so, they facilitate the process of bringing travelers and tourism suppliers together.

### Tour Operators

**Tour operators** are, by definition, business organizations engaged in planning, preparing, marketing, and, at times, operating vacation tours. The terms *packager*, *wholesale tour operator*, *tour operator*, *tour wholesaler*, and *wholesaler* often are used interchangeably. For simplicity, we will use the term *tour operator*. Some of the larger well-known wholesalers and operators are listed in Table 4.4.

Tour operators serve to both create and at the same time anticipate demand by purchasing or reserving large blocks of space and services to be resold in the form of tours in packages. Tour operators do not typically work on a commission basis like travel agents but on a markup basis. They buy large blocks of services such as airline seats, hotel rooms, and attraction admission tickets at very favorable prices by guaranteeing minimum levels of revenues or by making nonrefundable deposits and then resell these

**Table 4.4** Do You Recognize the Names of Any of These Tour Operators?

Abercrombie & Kent International	Gogo Worldwide Vacations
American Express	Holland America Line–Westours
Certified Vacations	Japan & Orient Tours
Collette Travel Service	Tauck Tours
Dertravel Services	Trafalgar Tours/Contiki Holidays
Globus & Cosmos	TUI AG

services at a higher price. Tour operators are a particularly significant intermediary in the tourism industry because they supply packages for travel agencies to sell as well as buying services from airlines, cruise lines, hotels, resorts, car rental companies, and many other tourism suppliers. They usually buy tourism products more than a year in advance, which relieves suppliers the worry about demand for them to focus on providing quality products. “Traditionally, wholesalers have provided 60% to 70% of all room revenue for tourism-driven destinations such as Hawaii, the Caribbean, and Europe.”<sup>13</sup>

The tour business holds a certain mystique for many people who like to travel and think that they would like to arrange and package travel and tourism services for others. However, the tour business is extremely risky. Both tour operators and wholesalers are an unregulated segment of the industry because there are no entry requirements for licensing, bonding, or insurance for many countries. Although every segment of the tourism industry deals with highly perishable services, the problem of perishability is compounded in the tour business. Once a tour has departed, there is no way to sell additional seats on the tour and receive revenues for services that have already been reserved and, in most cases, paid for in advance.

In addition, tour wholesalers and operators often must commit to prices for services far in advance and are therefore faced with the potential problems of inflation and foreign currency fluctuations that may reduce their profit margins. If that weren’t enough, there are the additional problems of natural disasters, political unrest, and changing consumer tastes, which are all outside the control of the tour operator.

Realizing all of these potential problems, it becomes critical for successful tour operators to control costs, competitively price the packages they offer, and market these packages to the appropriate target market(s). Assembling a package that interests consumers and then pricing it competitively becomes a tricky issue because tour operators must work with a very thin markup, usually 20% or less. Getting out the word on tour packages is also a challenge because most tour operators must develop their marketing campaigns on limited budgets. Therefore, market segmentation and targeting are essential to continued success.

Another specialized layer of the tourism distribution channel is the **receptive service operator (RSO)**. An RSO is a local company that specializes in handling the needs of groups traveling to its location. The RSO coordinates (and is often in charge of booking) the local suppliers serving the needs of the group. In other words, the RSO is in charge of handling the land arrangements for the group and is therefore sometimes termed a ground operator. RSOs may work with travel agents in developing packages for groups, and they also may subcontract with wholesalers in providing better service to tour groups.

## Tours

The word *tour*, as defined by the United States Tour Operators Association, “a trip taken by a group of people who travel together and follow a pre-planned itinerary.”<sup>14</sup> Tour packages include at least two of the following elements: transportation, accommodations, meals, entertainment, attractions, and sightseeing activities. Packages vary widely in the number of elements included and in the structure of the itinerary. Listed

below are some of the more common types of tour packages. In almost every case, the company acting as a wholesaler also operates the tours it creates or packages.<sup>15</sup>

- **Independent tour**—the least structured tour package. Hotel “escape” weekends featuring accommodations, some meals, and possibly a rental car qualify as independent tours, as does Disney’s Resort Magic package, which includes car rental, accommodations, and entrance to all of the Walt Disney theme and water parks. Purchasers of independent tours set their itineraries themselves.
- **Foreign independent tours (FITs)/domestic independent tours (DITs)**—customized tours including many elements designed and planned to fulfill the particular needs of a traveler. FITs and DITs may be designed by a travel agent or by a wholesaler in consultation with the traveler’s agent.
- **Hosted tour**—provides buyers with a number of tourism supplier elements plus the services of a local host who is available to give advice, make special arrangements, and iron out any problems that may occur.
- **Escorted tour**—the most structured of tour types and usually the most complete in the elements included for the package price. An escorted tour begins and ends on a set date and follows a specific, detailed itinerary. A tour escort accompanies tour members throughout the tour. Most escorted tours use motorcoaches with experienced drivers to transport travelers for all or part of the tour. Escorted tours are very popular with tourists traveling to exotic locations or in areas of the world where few members of the native population are likely to speak the traveler’s language.<sup>16</sup>

Why would a traveler prefer to purchase a tour package rather than buy from individual tourism suppliers? The reasons are many but benefits include the following:

1. *Convenience.* Purchasing a package allows the decision-making process to be shortened so that the traveler does not need to spend a lot of time deciding what to do and which supplier to use. Often all the details including **ground transfers**, tipping, and baggage handling are included, alleviating worry about the little things.
2. *One-stop shopping.* The buying process is also made easier; one payment covers the cost and paperwork of two or more services. All-inclusive tours can be virtually cash free and allow the traveler to know how much the trip will cost without the fear of being “nickel and dimed” along the way.
3. *Cost savings.* In most cases, tour packages are less expensive than the cost if the tourist were to purchase all of its elements separately. Tour wholesalers are able to take advantage of volume discounts and usually pass on some of the cost savings to tour purchasers.
4. *Special treatment.* Because of the volume of business tour operators represent to service suppliers, tour members tend to receive preferential treatment. For example, tour group members rarely stand in long lines or park far away from entrances to attractions.
5. *Worry free.* When traveling on a hosted or escorted tour, tourists are able to concentrate on the experiences and new world around them, leaving problems and details in the hands of tour personnel. In addition, as a participant of an escorted tour, travelers have a ready-made group of new friends accompanying them, increasing the fun.<sup>17</sup>

Tour packages are usually sold through retail travel agents who are typically paid a 10% commission for the selling efforts they provide the tour wholesaler. Travel agents distribute tour brochures and consult various sources, such as the *Official Tour Directory* and *Jax Fax Travel Marketing Magazine*, published monthly to match client desires to available tours.



*Guided tours are still popular among the traveling public.* Philip Enticknap/Dorling Kindersley, Ltd

## Consolidators and Travel Clubs

**Consolidators** and **travel clubs** are very special combinations of wholesalers and retailers who perform unique tourism distribution functions. Consolidators buy excess inventory of unsold airline tickets and then resell these tickets at discounted prices through travel agents or, in some cases, directly to travelers. Travel clubs also provide an inexpensive and convenient outlet for members to purchase unused seats at the last minute. Both consolidators and travel clubs perform a win-win function as intermediaries in the distribution channel. They help airlines sell a highly perishable service and often provide consumers with some real bargains in the process.

Where travel agencies are the department stores of the tourism industry, consolidators and travel clubs are to the airline industry what factory outlet stores are to clothing manufacturers. They are an efficient way to move highly perishable inventories of services to shoppers who have the flexibility to adjust their travel schedules to take advantage of lower prices on scheduled flights for which airlines have not been able to sell all of their available seats. Although there may be restrictions and the frequent fare wars that airlines wage may make the savings differential smaller, bargains can be substantial. Travel clubs also perform the additional function of selling accommodations, car rentals, and other tourism services at reduced rates.

The Internet provides consolidators with more market opportunity to sell their inventories. For example, Travelocity's Special Deals icon links Web surfers to consolidators such as Cheap Tickets, Inc. Other service providers such as Priceline and Hotwire offer airlines a simple way to move distressed inventory.

## Event Planners

Organizations and individuals who plan, promote, and deliver meetings, incentive travel, conventions, and events (often referred to as MICE) bring together every component of the travel industry. Event planners are responsible for the execution of "temporary and purposive gatherings of people."<sup>18</sup> The event industry is composed of a diverse spectrum of events in terms of their audience and their impact. On one end of the spectrum, there are mega-events such as the Olympic Games that have an international media reach and a planning period that begins nearly a decade before the event is held. In the middle of the spectrum are a variety of national and regional festivals like music festivals or food festivals and those discussed as in Chapter 9. On the other end of the spectrum, there are



## TOURISM IN ACTION

### DYNAMIC PACKAGING

The Internet has permanently altered the way vacation packages are created, marketed, and priced. The newest technology being leveraged throughout the travel industry is **dynamic packaging**. Consumers can now purchase packages from a variety of sites including online agencies, hoteliers, and airlines. The choices and types of options have never been so broad. Internet travel sales continue to grow rapidly, and package sales have emerged as one of the leading growth categories. The role of dynamic packaging technology is to bundle all the components chosen by the traveler to create one reservation. Regardless of where the inventory originates, the package that is created is handled seamlessly as one transaction and requires only one payment from the consumer. It automatically applies rules defined by the suppliers and the travel marketer to build and price travel packages. This package configuration process determines which components are used, what combinations of components are allowed or required, and handles inclusions such as taxes, fees, or additional package features. Rules also determine how the final retail price is computed.

For suppliers and distributors, dynamic packaging facilitates dynamic pricing. It applies pricing to a “package,” thereby allowing greater margins to be realized by travel marketers and sellers than can be realized by individual pricing of every component within a package for consumer comparison. Comparison shopping forces suppliers into the uncomfortable position of commodity pricing. Dynamic packaging allows travel suppliers and sellers to sell instead on value, features, and benefits.

community based events which are planned to meet the needs of a small group and may focus on a common interest in the arts, heritage, culture, or faith. Depending on the funding source, events can be private, public, or even nonprofit in the case of charity events.

Due to the potential for events to benefit the economy in the host destination, event planning is increasing in its legitimacy as a profession. The International Events Management Body of Knowledge has been developed to better define the role of event managers and includes five domains: administration, design, marketing, operations, and risk management.<sup>19</sup> To be successful, event planners must master skills in each of these domains. There are also a number of certification programs available for planners to signify their knowledge, experience, and commitment to potential clients.

**Meeting planners**, sometimes called event or convention planners, are another important tourism intermediary. The size and scope of their activities in this \$82.8 billion industry segment may go unnoticed, but their impact is tremendous.<sup>12</sup> For example:

- Meetings represent \$1 out of every \$4 spent on air travel
- In the United States, meetings represent \$23 billion of the hotel industry’s operating revenue (36% of all hotel room income), and an even higher percentage among the business hotels
- Almost four of every ten room nights is used in conjunction with a meeting
- Professional and vocational associations represent 70% of the billions of dollars spent on meetings
- The number-one factor that associations consider when selecting a meeting site is quality of service

Meeting planners are employed by corporations, associations, and others who need their specialized services. The main function of a meeting planner is the detailed planning of business meetings, incentive travel, educational meetings, conventions, trade shows, sales meetings, tournaments, executive retreats, reunions, and association gatherings. Meeting planners, like travel agents, handle many tasks at once. Take a moment to review Table 4.5, which shows just a sample of the decisions that need to be made by meeting planners on a daily basis.



**Table 4.5** A Small Sample of Decisions Made by Meeting Planners

How many people will attend the meeting?
What city of destination will you choose to host the meeting?
What types of transportation services will clients need?
What types of food functions must be planned?
<ul style="list-style-type: none"> <li>• Meeting catering</li> <li>• Reception catering</li> <li>• Event/program catering</li> <li>• Banquet catering</li> <li>• Festival catering</li> <li>• Cocktail receptions</li> </ul>
What types of support services will be needed?
<ul style="list-style-type: none"> <li>• Message and mass texting service</li> <li>• Welcome banners</li> <li>• Registration assistance</li> <li>• Welcome packets</li> <li>• Room blueprints</li> </ul>
What types of facilities equipment and supplies will be needed?
<ul style="list-style-type: none"> <li>• High ceilings (for projections)</li> <li>• Light controls in each space</li> <li>• Variety in table size</li> <li>• Computer/video projection</li> <li>• Flip charts/white boards</li> <li>• Mobile communication devices</li> <li>• Tele-/video-conferencing</li> <li>• Simultaneous translation</li> <li>• WiFi access</li> <li>• Stationery/water on meeting tables</li> <li>• Audio/sound system</li> </ul>
What types of activities need to be planned outside of meeting times?
<ul style="list-style-type: none"> <li>• Tennis</li> <li>• Horseback riding</li> <li>• Golf</li> <li>• Shopping</li> <li>• Sightseeing</li> <li>• Tours</li> </ul>

One of the most pressing responsibilities of meeting planners is to control costs for the organizations they serve. As a result of corporate “belt tightening,” the need for meeting planners is predicted to expand, and the destinations and number of sites (both domestic and international) they select will continue to grow. Once again, technology is playing a key role in improving efficiencies when it comes to managing these functions strategically. Companies such as StarCite provide a suite of e-products serving the needs of both suppliers and buyers to reduce expenditures and increase return on investment.



*Meetings and conferences require coordination of efforts of many tourism suppliers.*  
Pressmaster/Shutterstock

The meetings planned are usually high profile or of strategic importance to the organization the meeting planner serves, so planning professionals are scrutinized for the level of service, hospitality, and enthusiasm experienced by meeting participants. This means that meeting planner must walk a tightrope, balancing cost constraints with the desires of the meeting attendees.

Research has shown that meeting planners place different weights on supplier selection criteria at different stages of the purchasing process in relation to their supplier selection. At the initial supplier selection stage, meeting planners are more focused on “ability of supplier to meet quality specifications.” However, as they continue to maintain relationships with their suppliers, meeting planners place more importance on “ability to meet specific delivery schedules.” By taking these factors into consideration sales personnel can target their presentations and follow-up relationship building calls to specifically address client needs.<sup>20</sup>

The concept of incentive travel was introduced in Chapter 2. Incentive tour operators are specialized in this form of travel arrangement and have professional incentive trip planners on staff to take care of the details. Incentive trip planners are basically tour wholesalers. The incentive trip planner is responsible for coordinating the complete itinerary for a variety of activities that many include social gatherings, business meetings, recreational activities, and opportunities for staff development through team building exercises. The objective of an incentive trip is to not only recognize top performers within a company or organization, but to also promote morale and motivation within the attendees. The diverse demographic profile of an incentive group can be a challenge for the planner, as often the attendees range from relatively new employees to those with decades of experience.<sup>18</sup> Often incentive trips will allow each attendee to invite a guest which adds another group whose needs planners must anticipate while designing itineraries. Incentive programs can be designed and purchased through a variety of sources, as shown in Table 4.6.

**Table 4.6** How Travel Awards Are Purchased\*

Corporate travel agency	17%
Direct purchase—airline, hotel, etc.	27%
Retail travel agency	17%
Incentive company/incentive house	31%
Sales promotion/advertising agency	13%

\*Percentages will add to more than 100% as respondents could choose more than one category.

Source: “How Travel Awards Are Purchased,” 2005 Incentive Federation Survey.

## Tapping the Power of Multiple Distribution

It is common in the tourism industry to utilize more channel structures to sell their products, a tactic called multiple distribution in marketing. As discussed earlier, the channel between tourism suppliers and travelers include several intermediaries, such as travel agencies, tour operators, and incentive and meeting planners. These intermediaries provide services to both tourism suppliers as well as travelers in the form of delivering information, processing purchases and payments, and providing value added services. Tourism suppliers perform some of these tasks themselves, and at the same time engage multiple intermediaries to maximize the potential of reaching targeted travelers. For example, Carnival is actively developing and using at least five different channels in attempts to generate enough demand to fill its expanding supply of cabins, that are as follows:

1. Direct channel using Carnival’s Internet site
2. Direct channel using mall locations
3. Indirect channel using traditional travel agents
4. Indirect channel using Internet-based cruise-only agents
5. Indirect channel using last-minute fire sale agencies to fill cabins close to sailing dates

In addition, other cruise lines such as Princess and Norwegian are using tour packagers to move their inventory. For example, both are now featured occasionally in direct mail catalogs sent by Grand Circle Tours to its huge list of likely travelers. According to one industry expert, “While the number of brick-and-mortar agencies has continued to decline . . . , the travel generated by the agency community continues to be strong. And although some of the Internet-based agencies are among the largest in the country in terms of sales, there is clearly room in the marketplace for agencies of all types. This will remain the case as the industry continues to evolve” (p. 16).<sup>21</sup>

## FYI TRIP-CANCELLATION AND TRIP-INTERRUPTION INSURANCE

Trip-cancellation and trip-interruption insurance policies will provide reimbursement for financial losses you might suffer if you can’t begin and must cancel a trip or it is interrupted while in progress. This insurance will cover such things as missing a flight

due to an automobile accident, a sudden illness, injury, or death, but it doesn’t cover changing your mind. Should you buy trip-cancellation insurance? The answer to this question could be yes, no, or maybe. If you are making a large deposit, if you

are paying in advance for an expensive tour package or cruise, or if you have purchased any type of expensive nonrefundable ticket, then the answer may be yes. In all other situations, read the fine print and decide for yourself.

## Tourism Boards and Other Intermediaries

As we have noted, travelers need access to information before and during their trips. When tourists are seeking general information about travel and locations *en route* to their destinations, they often rely on the services of tourism boards. These offices may range from national tourism offices (which we will learn more about in Chapter 11) to local chambers of commerce. These information sources help promote tourism activities on both the individual and the group level by providing information and other services. In addition, national, state, provincial, and local tourist offices can be accessed to obtain information and updates on currency, transportation, restaurants, and more. Many of these offices also provide toll-free telephone access and/or mobile device apps to improve customer service.

Because tourism is an important economic activity, state, provincial, and local governments are often actively involved in providing tourist information. In fact, tourist information centers appear to be one of the more important information sources that visitors use in accessing general information about destinations.<sup>22</sup> We will explore more about the roles that governments play in encouraging tourism expenditures in Chapter 11. Trade associations of various segments of the tourism industry also play the role of intermediaries, although the scope of their services and responsibilities vary from association to association, and from country to country. Some trade associations mainly provide tourism supplier information to travelers, while others also provide product purchase–related services. Many trade associations advise tourism suppliers regarding consumer trends or product innovation ideas. Different associations, such as hotel association, travel agency association, and tour operator association, could also work together to maximize the economic benefits of tourism to all segments of the industry.

The amount of money spent by visitors at the local level helps to determine the type of organization that will provide general tourist information. In large metropolitan areas or in cities in the United States where tourism is an important economic activity, you will find convention and visitors bureaus. These offices are often funded by lodging, restaurant, or other tourism-related use taxes. In smaller cities, these same information functions would be provided by the local chambers of commerce. No matter where the operation is located, the primary functions are providing information for visitors and serving as facilitators in bringing together individual tourists and groups of tourists with tourism suppliers.

The best way to gain information and become familiar with a particular location and all it has to offer is actually to visit the location. Familiarization trips (also called “fams” or “fam trips”) are offered to tourism intermediaries by a variety of tourism-related organizations such as governmental agencies, hotels, resorts, convention and visitors bureaus, and tour operators at low, or no, cost. These trips are designed to promote tourism in general and acquaint participants with the specific capabilities of tourism service suppliers. In addition, annual travel trade shows provide continuing education, promotional, and selling opportunities for industry participants. Some, such as U.S. Travel’s International Pow Wow, which is billed as the travel industry’s largest international marketplace, are designed to bring travel organizations together. And Pow Wow does this in a big way, bringing together over 1,000 U.S. travel organizations and close to 1,200 buyers from over 70 countries.<sup>23</sup> Others such as ITB Berlin, the world’s largest travel trade show, are designed to bring service suppliers and consumers together. ITB Berlin does this in a huge way, hosting over 10,000 travel-related companies from 180 countries and well over 170,000 attendees each year.<sup>24</sup> Marketing communications through websites, directories, advertising, blogs, public relations, and **personal selling** can all be used to provide travelers and tourism intermediaries with information they need about benefits, prices, and availability.

During the trip planning phase, it has become popular to rely on blogs or social media sites for travel and destination insights. However, a note of caution is in order.

## TOURISM IN ACTION

### THE INTERNET: IT'S NOT ONE-STOP SHOPPING

Need to book a flight or a hotel room? It's simple—just hop on the Information Superhighway and you're through, right? Better slow down; the Internet isn't the place to practice one-stop shopping. Your first stop might be one of the "omnibus" travel sites (i.e., Expedia, Google, Travelocity, and Orbitz), but these sites often don't offer the best deal out there. Check out sites such as Kayak.com and Sidesstep.com as well as consolidator sites such as Hotels.com and discount sites such as Hotwire.com. Next, try destination sites such as Vegas.com for special deals. Consider airfare/hotel/rental car package deals, too, because suppliers often will price services superlow if they don't have to disclose the actual price of each component being offered. And, if you don't travel much or if you enjoy the personal touch of service, you may still want to maintain a good relationship with a travel agent. Many agents, due to expertise and experience, can find even more and better deals than you can on your own.

Anyone can post to a blog, and governmental entities as well as private organizations often pay to receive positive comments. Some high-profile examples of sponsored bloggers include The Netherlands Board of Tourism & Conventions, Visit Milwaukee, and Pennsylvania's "Roadtripper" project. They are fun to read and provide some useful information to a consumer, but don't rely on the information contained in just one blog. At the same time, if you are a tourism service provider, don't overlook the power of having your organization's name in the blogging world.<sup>25</sup>

## Selling Adds a Personal Touch

No matter which channels are used to distribute tourism services, personal selling skills provide a key ingredient to creating customer satisfaction by adding the personal touch. Personal selling is extensively used by sales representatives of tourism suppliers, travel agents, and tour operators. Personal selling is a communication process that includes discovering customer needs, finding the appropriate services to meet these needs, and then persuading the customer to purchase these services. Effective salespeople are more than just order takers; they cultivate long-term customer relationships as part of a process called **customer relationship management**, creating win-win situations for both customers and suppliers. We will explore more about customer relationship management in the next chapter.

Most airlines, car rental services, hotel chains, resorts, convention centers, and cruise lines maintain their own sales force and reservations staff. These individuals respond to inquiries, actively solicit business, or engage in **missionary sales** efforts. Missionary salespeople call on travel agencies and other tourism service suppliers, such as tour operators, to answer questions, provide brochures, and offer other information services—in short, to educate others about their company's services so those services may be sold more effectively. Let's take a closer look at what it takes to create a successful sales effort.

Close your eyes for a moment and think about some very special place you have visited. Now, think about how you would describe this place to your best friend, using just words, no pictures allowed. Could you paint a vivid verbal picture that would excite your friend's imagination? The ability to connect with customers through visual images is a key ingredient to successful selling and it begins with product knowledge. A Louis Harris Travel Agency Marketing Survey revealed that "consumers want a travel counselor who's an expert, an opinion broker and a trusted ally who can provide insider knowledge and wise counsel that's difficult or impossible for them to match, even through a guidebook or Internet research" (p. 9).<sup>26</sup> In addition to being customer oriented and acquiring detailed knowledge of the services they are selling, effective salespeople must be likable, dependable, and honest.





*Professional sales training adds knowledge and polish to the sales force.* Photo by Ron Hilliard

## Acquiring Product Knowledge

The ability to excite, give details, and help others envision places near and far, known or unknown, is one of the first skills you will need in selling tourism services. Customers must have confidence in your ability to assess their needs and make recommendations that will not only satisfy those needs but also delight them so they return again and again. It's hard to sell an experience if you don't have extensive product knowledge. A successful salesperson is constantly gathering additional knowledge that will be useful to existing and potential clients.

## Approaching the Client

Armed with the confidence of product knowledge, salespeople are prepared to serve their clients. The approach begins with the salesperson's first contact with a client. This contact may be over the phone, through email, or in person. No matter how the contact is initiated, the salesperson has a responsibility to create a positive and professional impression through common business courtesies. When clients contact or approach you, stop what you are doing and focus all of your attention on them.

## Qualifying the Client

Clients come in many varieties, ranging from casual information seekers to qualified buyers. Although a plethora of information is available through the Internet, people continue to seek the personal touch that can come only from human interface. Many of today's clients will have already completed much of their basic homework, thanks to the Internet. They will be familiar with schedules, prices, and service offerings, meaning they will be shopping for a "deal." They know what they want and are only looking for help and, they hope, a better price, using the salesperson as a facilitator in this process. Others will rely on your knowledge, skills, and ability to identify and satisfy their individual wants and needs, taking them through every step of the process.

Whether these contacts are made over the phone, through the Internet, or in person, your task is to identify and serve each client's need. Qualifying the customer entails asking questions to discover his or her specific needs, budgetary considerations, and the necessary personal information that can be used to make the sales presentation. Qualifying clients allows you to determine whether or not you have a product or service to meet their needs and then tailor your presentation to meet those needs. You should not waste time on unqualified clients, but don't be rude. Even if they don't make a purchase today, treating everyone with courtesy today may result in sales or positive comments to potential clients tomorrow.

## Making the Sales Presentation

Your assessment of clients' intentions won't always be perfect, but with a little practice, your skills in dealing with clients will improve. Sales presentations provide opportunities for the salesperson to present the features and benefits of a service or package of services that will meet the client's needs. This may be as simple as making a

recommendation as to the best airline schedule or as complex as presenting a complete sales proposal for a major convention. The sales tools used in the presentation may include brochures, PowerPoint presentations, videos, testimonial letters from satisfied clients, reprints of travel articles, social media clips, or virtual tours through websites.

Successful selling means that you will adapt your presentation to meet your clients' needs by selling benefits rather than features. Always deal with clients on the basis that you will make the sale whether today or in the future, building the foundation for long-term relationships.

## Closing the Sale

Clients may be ready to purchase when the call arrives or the presentation is made, but it may also be necessary to overcome objections or resistance. Negotiations involve responding to objections or concerns and discovering how to meet client needs. Many objections can be cleared up through active listening and clarification. However, salespeople should anticipate possible objections such as mismatches between brand quality and price perceptions, time of year, or seasonality concerns. Remember, special requests should be met whenever possible.

Be prepared to counter or overcome these resistance points effectively to close the sale. The sale is formally closed when payment is made; the reservation is confirmed; a deposit is made; and/or the contract is signed. Don't make the common mistake of continuing to sell after the sale has been made. This may result in losing the sale. Always look for verbal and nonverbal signals, as shown in Table 4.7, that a client is ready to commit.

## Following Up

Follow-up is the final step in the selling process. Providing service after the sale creates customer loyalty and satisfaction. Salespeople can create repeat business by letting their clients know they truly care about them as individuals. Personalization can even be achieved in telephone and electronic interactions. Smile when you talk on the phone and always use your customer's name in all interactions. Your personal warmth will come through to the person on the other end of the call or in your messages.

Follow-up is a team effort, requiring everyone in the organization to pitch in, not just members of the sales staff. Tourism is a people business, and everyone in the industry who has contact with customers is a salesperson, whether he or she knows it or not. Even if your job is not specifically sales related, you are still responsible for building customer relations, which can lead to future sales. The Walt Disney Company epitomizes this philosophy by training all employees (cast members), even park cleaners, that they are always "on stage" as customer service representatives. When they step into the "park" in uniform, they are there not only to do their jobs but also to help customers by answering questions and providing directions. The same roles should be played in every tourism setting by everyone who serves in supporting roles for those who actively sell the experience.

**Table 4.7** Common Closing Signals

Stop talking. If the clients don't have any more questions, ask for their business.
When clients begin asking specific questions that personalize the conversation, make the assumption that they are ready to buy!
When clients agree with how your product or service descriptions meet their needs, they are probably ready to buy.
When clients ask about forms of payment, deposit requirements, or making reservations, it is time to close.
Pay particular attention to body language and voice tone. Any of these cues may signal it's time to close: smiles, nods, relaxation, and friendly voice tones.

## Building Relationships

In addition to following the steps of the selling process, a good salesperson provides consistent high-quality service to clients. Returning phone calls and emails promptly, solving problems (building relationships), providing thank-you cards, or notifying clients of special sales or special offers serve as simple tokens of appreciation and can all go a long way toward creating customer loyalty.

Research has shown that salespeople who engage in consultative behaviors that demonstrate expertise focused on understanding and meeting customer's needs create strong personal relationships, trust, and loyalty.<sup>27</sup> The use of social media also influences value creation both for customers and salespersons. Use of social media by salesperson could help to increase service behaviors (e.g., information communications, customer service, empathy, maintaining relationships, and information sharing) and value creation through improved customer relationships by generating useful content that positions themselves as “experts” in the distribution chain.<sup>28</sup>

Even if you never plan a career in sales, sooner or later, you will be in a selling situation. From landing your first professional job or asking for a promotion to making a transfer request or asking for a raise, you are selling your most valuable asset—yourself!

Whether you like it or not, you are judged by the way you look and how you present yourself in person, on the phone, and in written communications. Long before you utter a word or extend your hand, opinions have been formed. Paying attention to details in all of these areas no matter what type or in which setting you find yourself, from formal to informal, will set you apart as a professional. For more information and specific recommendations for successfully navigating the complexities of the business landscape, see *Guide to Business Etiquette*.<sup>29</sup>

## Summary

Tourism is a service-oriented industry that focuses on meeting the needs of the traveling public. The success and profitability of tourism service suppliers depend on their ability to reach and meet the needs of selected target markets effectively and efficiently. With changes in technology and challenges to the commission system for intermediaries, the distribution landscape is continuously evolving.

As channel relationships change, suppliers in the tourism industry face many new and unique marketing challenges. The number of options for reaching customers with information about service offerings and booking reservations continues to grow. However, the fact that the services they provide are highly perishable and cannot be placed in inventory remains the same. In addition, with some tourism services often involving a great deal of customer engagement and employee contact, the need for well-trained employees remains a constant management challenge.

Although providing profitable levels of customer service is important, it is equally important to make sure that these services reach the intended markets. There are

several types of distribution channels for providing consumers with access to the suppliers of tourism services, ranging from direct access, travel agents (both traditional and online), and tour operators to more complex multi-level channels involving several intermediaries.

Tourists need information to make informed buying decisions, and there is no shortage of available information thanks to the Internet. This information may range from general facts about a location to specific details concerning schedules and availability. Organizations such as conventions and visitors bureaus and local chambers of commerce have been developed to provide general tourism information. Tourism service suppliers are learning to utilize a combination of information sources from the personal touch of salespeople to the 24/7 availability of online information to supply the specific information needs of the traveling public. With improvements in information technology, the ways we access and use tourism information have changed radically and will continue to evolve.

## You Decide

Brenda Baumgardner, manager of Discovery Travel, looked at the letter one more time. The offer sounded too good to pass up! It provided five all-expense-paid days at the Canyon Fire Resort and an opportunity to generate more business for her travel agency. It would be similar to a fam

trip, only she would be hosted by a client rather than a group of tourism service suppliers.

The letter had come from John Smithers, Corporate Director of Marketing at a local manufacturing company. He had invited Brenda to accompany him on

the company's annual incentive award trip. The January date was perfect for Brenda. Business was usually slow at that time of year, and the chance to leave the snow behind for the warmth of the desert was appealing. Besides, the enclosed itinerary of activities looked interesting.

John had indicated in the letter that he was considering having his office coordinate some of the travel and meeting planning activities for this annual event. He had typically turned this task over to an incentive travel company, but recent budget cuts might force him to scale back the program or consider other travel awards. John stated that his staff could handle some of the administrative details, but he might need Brenda's agency to help coordinate travel and accommodation needs for future meetings. John had closed the letter by asking Brenda to call him with an answer by the end of next week.

Brenda had visited Canyon Fire on previous occasions and looked forward to a chance to return and enjoy a little fun in the sun. Although she wanted to experience the pampering of an incentive trip firsthand, she was a bit troubled by the invitation. Brenda's agency handled many of the travel arrangements for John's sales managers, who had told her that the company was considering establishing an in-house travel agency.

Although Brenda wanted to accept the invitation, she was concerned from both a personal and business perspective. How would her staff and friends view the personal invitation? Would accepting the invitation create a sense of obligation and limit her negotiating abilities in future business dealings with John? Would the sales managers for John's company understand that she was on a business trip and not simply there for pleasure? If you were Brenda, what would you do?

## Net Tour

To get you started on exploring Internet links for this chapter, please see

[www.asta.com](http://www.asta.com)  
[www.arccorp.com](http://www.arccorp.com)  
[www.ustoa.com](http://www.ustoa.com)  
[iccaworld.com](http://iccaworld.com)  
[www.phocuswright.com/](http://www.phocuswright.com/)

[www.itb-berlin.de/en/](http://www.itb-berlin.de/en/)  
[www.conventionindustry.org](http://www.conventionindustry.org)  
[www.mpiweb.org](http://www.mpiweb.org)  
[www.amadeus.com](http://www.amadeus.com)  
[www.ectaa.org/](http://www.ectaa.org/)  
[www.wmph.com](http://www.wmph.com)

## Discussion Questions

1. Explain the functions of intermediaries in tourism distribution channels.
2. What are the differences in one-level, two-level, and three-level tourism distribution channels?
3. Why have travel agents remained an important link in the distribution of tourism services?
4. How has the Internet changed the distribution of tourism services?
5. Explain the functions of tour operators and wholesalers.
6. How is information about tourism services made available to the traveling public?
7. Why have personal selling skills remained important for tourism services professionals?

## Applying the Concepts

1. Make an appointment with a travel agent at his or her place of business to discuss the impact of the Internet on his or her travel agency. Also ask what type of education and training will be necessary to be successful in the future. While you are at the agency, ask for a demonstration of how the GDS/CRS is used to make reservations with tourism suppliers.
2. Look for the following headings in the Yellow Pages or business section of your local phone book: "Tourist Information" and "Tours." Call or visit one organization. Prepare a brief outline describing the information you received from your contact.
3. Find an article describing how consumers can use information technology to access tourism information. Prepare a brief (half-page) summary and copy of the article.
4. Using the Internet, perform the necessary steps to make airline and hotel reservations at the destination of your choice. Write down the steps and Web addresses you visited in completing this task.
5. Find a brochure or a website that describes an all-inclusive tour package. List all of the tourism suppliers that have been linked together to make this tour package possible. Visit a travel blog and read postings in the past one week about a particular tourism supplier. Summarize the content of the postings and explain why or why not you would purchase products from this tourism supplier.
6. Visit, call, or chat online with a travel agent as a potential vacationer. Ask about the various possibilities of taking a trip and ask lots of questions about the different packages and destinations. What do you think are the necessary skills and characteristics of an effective travel agent?

## Glossary

**Airlines Reporting Corporation (ARC)** The clearinghouse for receiving commission payments for airline ticket sales.

**All-inclusive** Single price for all or nearly all major services provided in a tour, resort, or cruise package.

**Call centers** Centralized locations designed and managed to handle large volumes of incoming telephone inquiries, in many cases on a 24/7 basis.

**Commissions** The percentage paid to a sales agent (travel agent) by tourism suppliers for booking travel arrangements.

**Computer reservation systems (CRSs)** Computer hardware and software that allow travel agents to tap into global distribution systems.

**Consolidators** Wholesalers who buy excess inventory of unsold airline tickets and then resell these tickets at discounted prices through travel agents or, in some cases, directly to travelers.

**Consortium** An affiliation of privately owned companies to improve business operations and gain the necessary volume of business that can lead to improved profitability.

**Customer Relationship Management** Understanding customer needs and building relationships by analyzing databases of information from multiple sources including websites, emails, social media, and other customer touch points to increase sales and profitability.

**Domestic independent tour (DIT)** Customized domestic tour including many elements, designed and planned to fulfill the particular needs of a traveler; may be designed by a travel agent or by a wholesaler in consultation with the traveler's agent.

**Dynamic packaging** The ability to aggregate multiple tourism service supplier offerings (e.g., air, hotel, and car) in real time into a package.

**Escorted tour** An all-inclusive tour with a structured itinerary and a guide who accompanies the guests.

**Familiarization trips** (also called "fams" or "fam trips") Trips offered by governmental tourism agencies, hotels, resorts, and tour operators at low or no cost to acquaint travel salespeople (typically travel agents) with the products and services they offer.

**Foreign independent tour (FIT)** Customized foreign tour including many elements, designed and planned to fulfill the particular needs of a traveler; may be designed by a travel agent or by a wholesaler in consultation with the traveler's agent.

**Franchise** A license to operate a tourism service business such as a travel agency or hotel with the benefit of trademarks, training, standardized supplies, operating manual, and procedures of the franchiser.

**Global distribution systems (GDSs)** Worldwide interorganization information systems that travel agencies use in selling tourism services.

**Ground transfers** Short-distance transportation between service providers, most frequently provided as part of a tour.

**Hosted tour** A tour in which a host is available at each major tour destination to welcome guests, solve problems, and answer questions.

**Independent tour** A tour that allows the flexibility to travel independently while taking advantage of prearranged services and rates based on volume discounts.

**Intermediary** Firms that help tourism suppliers locate customers and make sales to them, including tour operators and travel agencies.

**Itinerary** A detailed schedule of a trip.

**Markup** Adding a percentage to the cost of a good or service to arrive at a selling price.

**Meeting planner** An individual who specializes in planning and coordinating all the details of meetings, conferences, or events.

**Missionary sales** Sales calls made by individuals to retail travel agencies and other tourism industry intermediaries to answer questions and educate them about the company's services so that they may be sold more effectively.

**One-level distribution channels** The simplest form of distribution, in which the supplier deals directly with the consumer without the services of intermediaries.

**Overrides** Additional bonuses offered to travel agencies beyond their usual commission to encourage the agency to sell more tickets.

**Personal selling** A communications process that includes discovering customer needs, finding the appropriate services to meet these needs, and then persuading customers to purchase these services.

**Receptive service operator (RSO) (ground operator)** A local company that specializes in handling the needs of groups traveling to its location.

**Three-level distribution channels** Distribution channels in which two or more channel members, such as tour operators or wholesalers serve as intermediaries between the supplier and the consumer.

**Tour** A product that includes at least two of the following elements: transportation, accommodations, meals, entertainment, attractions, and sightseeing activities. It can vary widely in the number of elements included and in the structure of the itinerary.

**Tour operator** A business entity engaged in the planning, preparing, marketing, making of reservations, and, at times, operating vacation tours.

**Tour package** Two or more travel services put together by a tour operator, such as air transportation, accommodations, meals, ground transportation, and attractions.

**Travel agent** A sales specialist in tourism services.

**Travel clubs** Membership organizations designed to serve the needs of last-minute leisure travelers at bargain prices.

**Two-level distribution channels** Distribution channels in which an additional channel member, such as a travel agent, serves as an intermediary between the supplier and the consumer.



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# CHAPTER 5

## Capturing Technology's Competitive Advantages

*Technology makes the world a new place.*

—SHOSHANA ZUBOFF

### LEARNING OBJECTIVES

**After you have read this chapter, you should be able to:**

1. Describe some of the technological trends that are shaping operating practices of tourism service suppliers.
2. Describe how technology can enhance productivity.
3. Describe how technology can improve both internal and external communications.
4. Describe how technological changes will have an impact on the future of the tourism industry.
5. Describe how technology can enhance customer service.
6. Describe how the Internet has changed tourism operations.
7. Describe how revenue management has improved the financial performance of tourism service suppliers.

### CHAPTER OUTLINE

#### Staying on the Cutting Edge

##### Introduction

##### Improving Operating Efficiency and Effectiveness

- Management Information Systems
- Point-of-Sale Systems
- Property Management Systems

##### Providing Customer Convenience and Enhancing Service

##### Changing Communication and Distribution Channels

- Internet and Travel Product Distribution
- Internet-Based Distribution for Hotels
- Internet as a Travel Tool
- The Power of User-Generated Content

#### Improving Profitability

- Operational Considerations
- Revenue Management in Practice

##### Summary

##### You Decide

##### NetTour

##### Discussion Questions

##### Applying the Concepts

##### Glossary

##### References

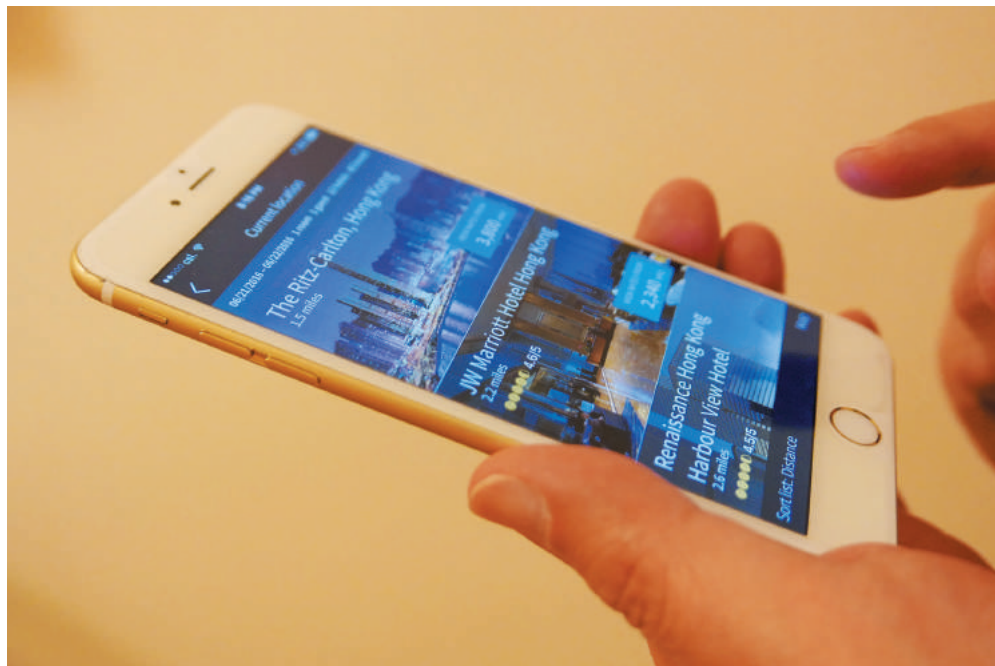
## Staying on the Cutting Edge

How do travel service companies stay on the cutting edge of technology? Technological innovation and customer service have been the answers for Wyndham Jade (wyndhamjade.com), a leader in travel services. From its home office in Plano, Texas, and satellite offices in Arizona, Iowa, Georgia, and Illinois, Wyndham Jade charts new courses by staying on the cutting edge of technology. To maintain a leadership role in the delivery of travel services in the incentive and meeting markets, convention housing and registration markets, and corporate travel management markets, Wyndham Jade is constantly innovating to anticipate and meet customer needs.

Organizations from around the world utilize Wyndham Jade's convention planners to recommend destinations, handle negotiations, organize travel and hotel requirements, and provide a wide range of on-site support services. For large national and international meetings and conventions, Wyndham Jade offers an extensive suite of convention housing and registration services and reporting management services. Meeting attendees and exhibitors are able to register, book hotel reservations, and make travel arrangements all at the same time online via the Web . . . 24 hours a day . . . from anywhere in the world. These services are enhanced through a variety of proprietary software products that have been designed to provide rapid and flexible customer interface and management reporting for any type of event large or small.

Corporate travel clients receive 24-hour full-service personalized travel agency services combined with travel management analysis and reporting. These services result in significant cost savings while at the same time allowing travelers to take advantage of corporate discounts and loyalty programs. In-house technology development and support programs have allowed Wyndham Jade to remain competitive with Internet vendors while adding the all-important human touch desired by the most demanding corporate travel management clients. This same level of service has recently been extended to a new market segment, athletics, through Jade Sports.

Incentive and meeting services clients have come to expect turnkey support from concept development to program fulfillment in a variety of performance enhancement



*Mobile apps enhance customer convenience.* Photo by Cathy Hsu

programs designed to drive results. These fun, results-oriented programs are made possible by the same level of commitment to technological innovation and customer service that drives all of the company's other innovative programs. What are the results of all these efforts? A client list that reads like the who's who of corporate America.

How does Wyndham Jade stay on the cutting edge? By combining the skills of seasoned travel industry professionals, challenging the status quo, and tapping the benefits of the latest in communications technologies, it draws on the creative talents of its diverse team to provide tomorrow's travel service needs today in one convenient virtual location.

## Introduction

**Technology**, which we broadly define as the use of new knowledge and tools to improve productivity and systems, has created both challenges and opportunities for tourism service providers. Nowhere have technological advances been more evident than in computing capabilities. As **data** storage capacities expand, processing speeds seem to grow exponentially, all at lower and lower costs, permitting the power of **information technology** to be within the reach of almost every organization. The same technology that is driving the information revolution has spawned other innovative uses from **point-of-sale (POS) systems** to **enterprise resource planning (ERP) systems**.

In this chapter, we will explore the challenges posed by technological advances and innovations as well as the benefits being derived as they are adopted by tourism service suppliers, both large and small. For a glimpse at how technology affects these suppliers, take a look at Figure 5.1.

Even with the demonstrated benefits of technological advancements, some tourism service providers have been reluctant to embrace new technologies, but competitive pressures and rising labor costs are breaking down these barriers. Fears of losing human connectivity that has historically been the foundation of hospitality, learning new skills, and the costs of technological applications have been the typical reasons voiced for this reluctance. Although early adopters did experience some of these problems, they soon progressed through the **learning curve** (slowly at first and then more rapidly with time and experience) and achieved many benefits, both financial and operational, from their commitment and investment. The outcome from these investments? Enhanced productivity, improved communications, and enhanced

**FIGURE 5.1**

Technology's impact on tourism service suppliers.



customer service leading to improved profitability and a competitive advantage. Let's take a look at how the technological revolution is transforming the tourism industry.

## Improving Operating Efficiency and Effectiveness

In the face of rising wages, increasing input costs, and intensifying competition, tourism service suppliers have been forced to make cuts in staff size, increase productivity, and rethink marketing efforts. Doing things the same old traditional ways no longer seems to be working. For example, food-service operators who traditionally planned for and staffed stand-alone kitchens have now adopted the use of central kitchens, allowing a single large operation to provide a variety of menu items to several satellite dining locations with fewer preparation and production employees, less equipment, and centralized purchasing and production planning.

Staffing software allows supervisors to schedule employees in key time slots to meet peak customer demands while limiting coverage during slack times. Advances in communication technologies and decreasing costs for mobile devices make internal ordering and inventory stocking more efficient by allowing employees to communicate through remote devices. Dining room and housekeeping employees can transmit orders, rooms' status, and inventory needs through wireless headsets and handheld order-entry equipment. These and many other technological innovations have evolved as tourism service suppliers search for solutions to enhance customer service, respond to operational demands, and improve profitability.

Recognizing the fact that knowledge is as important, if not a more important asset; than land, capital, and labor in creating a competitive advantage for hospitality organizations highlights the importance of information technology in organizational success. By harnessing the value of this asset with the help of technology, hospitality companies could establish an efficient and effective system to create, accumulate, transfer, and use knowledge.<sup>1</sup>

## Management Information Systems

**Management information systems (MIS)** or information systems provide the backbone for operational decisions. They are computer-based systems designed to collect and store data and then provide information for planning, decision making, and problem solving. Deciding what information systems to use, whether to develop applications in-house or buy them, and then whether they should be centralized or dispersed to the property or store level are only a few of the decisions facing chief information officers and information technology professionals.

Think back to the chapter opener on Wyndham Jade, and you can see how one tourism services provider is dealing with these questions. To see where other participants in the tourism industry might be heading as they grapple with these questions, we can once again turn to the pioneering work of the airlines. By necessity, most of the information management functions for the airlines and other transportation service providers were centralized for operational efficiencies and profit improvement.

### FYI RFIDs

Radio frequency identification devices (RFIDs) are being used to control hotel guest room locks, to track inventory, and for a variety of other uses for which low-cost tracking and security are needed.

RFIDs use radio waves to identify people or objects automatically. These tags are different from the bar-coded tags currently being used by airlines to track the location of baggage. RFIDs do not

require a direct line of sight to be read, and multiple tags can be read at one time, creating opportunities for ticketing, identification verification, and something as complex as tour group coordination.



**Table 5.1** Examples of Management Information System Features

Accounts receivables	Auditing and analysis
Climate control	Customer problems
Customer profiles and preferences	Customer relations
Financials	Food production management
Housekeeping	Maintenance
Reservations and table management	Retail outlets
Revenue management	Sales and catering
Security	Staffing
Standing orders and preorders	Telephones and televisions
Web ordering	Web reporting

However, many of the MIS for restaurants, hotels, and car rental companies were initially implemented at the local level with the same profit motive, but with an eye toward enhancing productivity and improving customer service.

Points of data input for these systems may be found at the time reservations are made, when orders are entered into a POS device, or when guests check in. Retrieving information from any of these input points can aid in *property*- (a term used to describe individual hotels, motels, and resorts) and *store*- (a term used to describe individual food service units) level decision making, but aggregating these data across local and regional boundaries can also improve financial, management, and marketing decisions. Each of these functions can be thought of as a module. For example, reservations management systems, back office accounting systems, and human resource management systems have been in use for years. Today, lodging companies have centralized these programs, moving them from individual properties to corporate offices. This allows software updates to be made once, instead of at various times in locations, that may be spread around the world.<sup>2</sup> Table 5.1 provides just a few examples of the many individual tasks that can be accomplished with integrated data retrieval and analysis programs.

Similar integrated management systems are available for restaurants, casinos, cruise lines, car rental agencies, and theme parks. Total integration through ERP systems takes the concept of MIS to a higher level of integration by combining all information sources, subsystems, and processes into one unified system. For example, an ERP system would incorporate everything listed in Table 5.1 and more, allowing every department and function within a hotel or resort, even an entire chain in diverse geographic locations, to store and/or retrieve information on a real-time basis. Everything from purchasing and warehousing to payroll and sales and marketing would be managed by one system.

## Point-of-Sale Systems

**Point-of-Sale (POS)** systems are being integrated into MIS to improve foodservice efficiency and profitability at a staggering pace. They are no longer just glorified cash registers. POS systems for restaurants, with intuitive touch screens, reduce training time for servers and cashiers, reduce input errors and waste, and improve customer service. These same systems, designed to:

- Process reservations,
- Manage wait lists,
- Balance table assignments,
- Record and track customer orders,
- Process debit and credit cards,
- Reduce credit card expenses,
- Manage inventory,

- Manage menus, and
- Provide data to other networked systems, freeing up time once devoted to report preparation and analysis.

Computer software suppliers are constantly updating their systems, and foodservice operators are eagerly embracing and purchasing system enhancements. Touch screen and wireless systems are quickly becoming the standard, allowing food servers to enter customer orders without having to make unnecessary trips to the kitchen. The kitchen staff notifies the server via a vibrating pager with a digital readout when orders are ready. Newer advances allow servers to place orders using handheld devices and server voice recognition systems. These new systems will make it possible for servers to remain in the dining area to provide customers with more personalized attention.

In addition to improving the flow of information from the wait staff to the kitchen production staff, the real-time data also improve purchasing and inventory controls. Wider wireless local area networks are giving properties with multiple food service outlets the ability to integrate information and consolidate operations. Consolidated data accumulated by a chain or a POS provider are available via an Internet site. Profitability as well as enhanced food quality is achieved by keeping inventories lower through rapid turnover. The leading POS systems offer an instant multilocation interface, so that sales, labor, inventory, and purchasing information can be shared on demand. This easy access of information creates a cost-saving environment through centralized data storage. These databases create powerful tools for making improved marketing, management, and financial decisions as reports can be generated by the day, hour, and minute.

## Property Management Systems

For hotels and resorts, bringing each of these functions and other applications together into a unified program creates a **property management system (PMS)**. PMSs combine computer hardware and software into an integrated information system. These systems provide a central point for accumulated data and integrate a variety of activities at the property level such as:

- Reservations (Internet, central reservation, and GDS reservations),
- Pricing and revenue management,
- Guest profile,
- Guest check in and check out,
- Electronic keys,
- Telephone, messaging, and television activation,
- Maintaining guest **folios** (revenue recognition),
- Updating room status and housekeeping data,
- Combining **night audit** information and reports,
- Maintaining employee payroll records,
- Updating inventory records,
- Creating financial statements,
- Tracking travel agency bookings and commissions, and
- Tracking the effectiveness of marketing programs.

These systems have been further enhanced by another important development in the use of management information technology—**enterprise systems**—that combine information for multiple properties. Enterprise systems present a new model of corporate computing. They allow companies to replace their existing information systems, which are

**Table 5.2** Uses of Data-Mining Information in Hotel Marketing

- Determine usage patterns of hotel facilities by time slots and customer groups
- Identify micro market segments among in-house guests to provide customized services
- Evaluate training needs based on the nature and location of service failures
- Refine distribution channel management based on timing and volume of reservations from various sources
- Evaluate menu item popularity and profitability (menu engineering)
- Optimize website design based on visitor browsing patterns and click-to-book conversions

often incompatible with one another, with a single, integrated system. An enterprise system enables a company to integrate the data used throughout its entire organization. By streamlining data flows throughout an organization, these MIS are delivering dramatic gains in operational efficiency and profitability. The information generated from these databases can be mined and used for a variety of marketing programs as shown in Table 5.2.

## Providing Customer Convenience and Enhancing Service

The do-it-yourself approach to customer service met with some initial resistance, but once customers became comfortable with on-demand services, these technologies spread rapidly. Nowadays, travelers are so accustomed to self-service technologies some even prefer the do-it-yourself option rather than traditional face-to-face personal service. For example, travelers can now book a flight online as well as check in and print out boarding pass at home or in a hotel lobby, or at the airport using a self-service kiosk. Or, as more and more travelers prefer, they are using their mobile devices for all of these functions. Similar options are available for hotel stays, train travel, and attraction visits. Some online tour operators allow travelers to custom design their own travel packages, or dynamic packaging as explained in Chapter 4, based on their preferences and budget.

Many quick service restaurants have installed touch screen kiosks at busy stores to allow customers to place their own orders. Casual dining restaurants have also placed ordering device on the table for diners to make order themselves. Many tourist attractions offer audio or video “tour guides” so that visitors can have an informed visit at their own pace. Tourist boards have also begun offering apps for consumer mobile devices for visitors to download. These apps provide instant, in-situ information about restaurants, hotels, shops, and attractions to orient visitors of the local offerings. These technologies certainly reduced the labor cost for operators, but ultimately customer service was improved. Shorter waits in line, reduced transaction times, and the ability to make changes without explaining the rationale for the changes were just a few of the improvements. With the aid of technology, including social media, user-generated content, video, mobile application, location-based services, and other new media and devices, consumers are more informed of the tourism products and more engaged in travel-related activities so as to enhance their consumption experience. An extra benefit to international travelers is that the self service option removes some uncomfortable moments due to language barriers.

Handheld devices and tablet computers are also aiding employees in the service delivery process. Airlines began using these devices to track baggage, but their use in many other customer service applications has led to their widespread adoption by other tourism service suppliers. Restaurants, always keen on finding new ways to improve customer service and reduce costs, are finding handheld POS devices to be an invaluable asset. The use of these devices to place an order can save an average of four minutes over the traditional POS system, freeing more time to focus on the customer.<sup>3</sup> Hotels have also used handheld devices to offer check-in service en route for guests who use their airport transportation service upon arrival. Technologically advanced hotels have developed apps to allow guests to check in and check out; make service requests, from wake up call to room service, on their mobile devices whether they are in the hotel or out and about.

## FYI BEACONS

Beacons can detect when Bluetooth-enabled devices are approaching and can then send tourists information that is relevant to them in that particular setting. The settings where beacons can be used are only limited by suppliers' imaginations. Museums become interactive when a visitor walks up to an exhibit and the dates and description of the display pop up on their phone screen.

When a pre-registered guest enters a hotel, it triggers a check-in alert to their phone where they can choose their room number and receive keyless access bypassing the front desk entirely. Navigating large places like airports or busy train stations is easier for the traveler when a set of beacons provides them with a constantly updating map and directions based on their current location and

also alerting them of gate changes and flight delays. As a tourist wanders in an unfamiliar city, beacons can send information for sales at gift shops or reviews of nearby restaurants and even provide notification of impending weather. In addition to having their Bluetooth enabled, some locations require an app download to receive all the benefits of information that can be derived from beacons.

Geo-based technology, such as car navigation systems, geo-based software and applications on personal computers or mobile technology, location-based portable recommender systems, and/or GPS-based devices for outdoor activities, is an important element in daily life as well as travel experiences. Geo-based technology helps people to identify the unique features of the current place, thus establishing a sense of orientation. It provides opportunities for tourists to sense the different qualities of the destination and recognize that the destination is distinguishable from other places.<sup>4</sup>

Database marketing, based on **data mining**, is aiding tourism suppliers in targeting microsegments of their markets and customizing marketing mixes to fulfill the needs of specific travelers. Because of seemingly endless capacity of cloud-based storage marketers can access and rapidly sift through vast amounts of information, allowing them to build immense databases providing extremely detailed profiles of prospective consumers. Information in the database could come from a variety of sources, including customer provided information upon reservation or joining frequent guest program, employee observation, consumption record, guest complaint, and customer survey. Web browsers' behaviors, such as searches and product click-throughs (e.g., looking at 4-star hotels), can also be recorded and used for future target marketing purposes. For example, if you search the airfare from Hong Kong to Sanya, China, through one of the online travel wholesaler sites, promotional information about airfare between these two cities and other tailored recommendations will pop up on your computer screen regularly in the next few weeks as you surf the Net. The Amazon model of additional product recommendations is what the travel industry mirrors after.

For another example, Harrah's created individualized promotion packages to tempt players to come to its casinos more often. Using information collected from its Total Gold frequent gambler cards, Harrah's began testing different promotions and learned which promotions worked best in bringing back players. Marketers for the chain determined that different players responded better to different promotions, such as free room nights, whereas others returned when offered free gaming tokens. Now, when a player has not come to Harrah's within a set time period, for example, two weeks, that player receives a promotion tailored to his or her tastes. This use of data mining has increased the response rate for Harrah's mailed promotions from 3% to 8%.<sup>5</sup>

Cruise lines are another industry segment that can capture vast amounts of customer data largely due to the cashless consumption (a requirement for all purchases to be made through a cruise line's "credit card") onboard. All expenditures incurred during the cruise; including spa, beverages, shopping, specialty restaurants, land tours, and casino plays, are charged to their account. This information can be helpful in designing future marketing mix targeted at individual consumers based on their tastes and preferences.

**TOURISM IN ACTION****A RECIPE FOR SUCCESS!**

Entrepreneurship, technology, customer service, and tourism; put them all together and you have a recipe for success. Each part of this recipe can be found in a technological leader in online ticketing solutions, ExtremeTix ([begin.extremetix.com](http://begin.extremetix.com)), a key distribution intermediary in the tourism industry. ExtremeTix has been on the forefront of ticketing solutions for many different kinds of events and venues within the United States and Canada. When it comes to providing tickets for air shows, live music, fairs, theaters, museums, festivals, golf tournaments, sporting events, amusement parks, motorsports, traveling exhibits, and much more, ExtremeTix leads the way through innovative technology and high levels of customer service.

Preparing for a massive influx of excited and demanding customers is no easy task. However, this task becomes a manageable undertaking when approached from the beginning. Starting with online reservations and ticket purchases through to the day of the event with effective and efficient ticket scanning and crowd control the process becomes seamless. Maneuvering through the demanding needs of both sides of the stakeholder equation—event and venue managers and individual consumers—the company has studied, adapted to, and evolved to meet market place demands. By providing key performance indicators, maximizing revenues, and ensuring superior customer service for organizers and promoters while at the same time providing customers with convenience, simplicity, and memorable experiences, ExtremeTix has created the perfect customer interface.



*Global positioning technology provides tourists with an onboard navigator on unfamiliar roads. Photo by Cathy Hsu*

## Changing Communication and Distribution Channels

Internet access has become ubiquitous. Take a look at Table 5.3 to see the phenomenal growth, penetration, and usage of the Internet. Smartphones are overtaking personal computers as the dominant platform to access the Internet. In countries, such as China, Japan,



**Table 5.3** Internet Usage Around the World

World Regions	Internet Users June 30, 2016	Penetration Rate (% of Population)	Growth 2000–2016
Asia	1,846,212,654	45.6%	1,515.2%
Europe	614,979,903	73.9%	485.2%
Latin America/ Caribbean	384,751,302	61.5%	2,029.4%
Africa	340,783,342	28.7%	7,448.8%
North America	320,067,193	89.0%	196.1%
Middle East	141,489,765	57.4%	4,207.4%
Oceania/Australia	27,540,654	73.3%	261.4%
World Total	3,675,824,813	50.1%	918.3%

Source: Adapted from Internet Usage Statistics, The Big Picture, World Internet Users and 2016 Population Statistics. Internet World Stats, <http://www.internetworldstats.com/stats.htm>. Retrieved (12/2/2016). For more detailed and updated information, please visit [www.internetworldstats.com](http://www.internetworldstats.com).

France, South Korea, and the United Kingdom, this is already a reality.<sup>6</sup> By 2015, over 3.2 billion Internet users and 7 billion mobile subscriptions were reported. This represents an astounding growth rate of 960% and 660%, respectively, for these forms of digital connectivity from 2000. Market penetration rates of 43% for Internet usage and 97% for mobile availability bode well for electronic connectivity between consumers and tourism suppliers.<sup>7</sup>

## Internet and Travel Product Distribution

All travel distribution channels and sectors were fundamentally changed by the advent of the Internet. “Historically, the travel distribution channel was the domain of large suppliers. Reservation systems were complex and unwieldy, requiring significant investments in hardware, software, and connectivity.”<sup>8</sup> Airlines had traditionally relied on travel agents to be the primary intermediary in the distribution of their services. The Internet introduced online distribution channels, in effect furthering competition by expanding distribution and bringing transparency to airline inventory and pricing.

Before online distribution channels, consumers bought airline tickets via the airlines call centers and traditional travel agencies. Both points of distribution used main-frame or “green screen”-based reservation systems such as American Airlines’ Sabre and United Airlines’ Apollo systems. For a number of years, airlines owned these proprietary systems, which listed available air inventories based on schedules with price

### TOURISM IN ACTION

#### BRINGING MENUS TO LIFE

An interactive tabletop menu is more than just a gimmick; it serves as a means for bringing foods and beverages to life. The touchable tasting menu at New York City’s Adour restaurant in the St. Regis Hotel sports an interactive wine bar. Customers can search and display a menu of wines by the glass or bottle, reds or whites, and even a selection of bar foods. After an initial selection, the menu allows users to drill down into wine regions of the world complete with producer information for each selection along with tasting notes.

This user-friendly format, freed from the clunkiness of a mouse or keyboard, brings wine selection down to a personal, even a social, level. The touchable menu provides more involvement than kiosks and simple touch screen interactions. It is like having your own personal sommelier. New applications are sure to follow as technology giants such as Microsoft are bringing similar innovations to market for use in hotels and casino restaurants and lounges.

Source: Spencer, Ante E. (2008, January 25). The touchable tasting menu. *Business Week Online*, p. 13.

being a secondary, hidden factor. Naturally, this scenario created demand for schedule-based inventory and caused airlines to deepen their commitment to operational efficiency. Airlines eventually sold off these reservation systems, but the basic schedule-based inventory practices continued.

The introduction of the Internet expanded travelers' choice for points of purchase, thereby creating price competition for airline inventory. In fact, price is the main driver for purchasing travel online.<sup>9</sup> Travel marketers created online booking engines that allowed travelers to compare available airline inventories by both price and schedule. The availability of price comparison sites, such as kayak.com and travelsupermarket.com, intensifies price competition.

Online reservations represent close to 40% of all U.S. travel in terms of booking dollar value, of which airlines represent 55% of the total.<sup>10</sup> "Carriers' full-service websites now handle between 20% to 30% (for major carriers) and 70% (for low-cost carriers) of their total transactions."<sup>11</sup> In fact, the Internet has enabled thousands of tourism suppliers to offer computerized reservation systems that identify the availability of facilities, attractions, accommodation, and transport in real time.

The early airline reservation systems have later been further developed and evolved into what we know today as the Global Distribution System (GDS). GDS now not only allows travel intermediaries to make reservations for hotels, resorts, car rental, railways, cruise lines, and other tourism products, but also provides other integrated marketing services and information. Through a sophisticated computer system, travel intermediaries can sell a variety of product combinations in real time. This benefits the consumers by offering information transparency, broad range of product selection, and price comparison across product options. The six major GDS (i.e., Amadeus, Sabre, Abacus, Apollo, Galileo, and Worldspan) owned by three major GDS companies (i.e., Amadeus, Sabre, and Travelport) process more than 2,000 transactions per minute.<sup>12</sup> They distribute products for more than 550 airlines, over 90,000 hotels, the world's largest car rental companies, hundreds of tour operators, and the major cruise lines to travel agencies. GDS generates about two-thirds of all airline passenger revenue, over 10% of hotel room revenue, and about 30% of car rental revenues in the United States.<sup>9</sup>

## Internet-Based Distribution for Hotels

Hotels, especially chain hotels, have been using central reservation systems (CRSs) to make room bookings. Large hotel corporations usually use proprietary CRS, whereas smaller hotel chains or independent hotels could use commercially available reservation software. CRSs are internal systems shared by member hotels. Holiday Inns launched the first hotel CRS, Holidex, in 1965 to enhance the efficiency and cost-effectiveness of lodging product distribution. The modern CRS is integrated into the overall enterprise systems and provides customer profile, preferences, and behavior information for data mining. The reservation functions on hotel websites are part of the CRS. CRS facilitates direct distribution, and at the same time are connected to GDS to make the three-level distribution more efficient.

Due to the advancement of technology, there is a new breed of intermediaries specialized in online lodging product distribution. These intermediaries could be lodging marketing organizations or trade associations that sell rooms for contracted hotel to earn commission. Examples include Utell International, The Leading Hotels of the World, World Hotels & Resorts, and Sterling International. Travelers can make reservations directly on their websites, which are connected to the GDS. Travel agents can also make room reservations on their websites and receive commission.

One research study showed that online travel agencies (OTAs) serve not only as a distribution channel for selling hotel rooms but also as an information source providing customer reviews and comments on their platforms. A case study of actual hotel

## FYI WYSWYG

What You See Is What You Get (WYSWYG) may not always be the case when it comes to online hotel booking sites. There are many travel and reservation sites that try to pass themselves off as “real or official” hotel company booking sites. All it takes to look like the real thing is the simple addition of a number or a letter to the URL containing the actual hotel name and the unsuspecting searchers can find themselves making a reservation through a third-party having

no connection to the hotel. Many of these questionable booking sites will show up on Internet search engines before the actual hotel company site, easily confusing the inexperienced shopper. Although these reservations may result in legitimate transactions taking place through a reputable intermediary, they may also be fraudulent. The American Hotel and Lodging Association estimates that 15 million bookings are affected by site-spoofing each year, resulting in consumers making

bad bookings of over \$1.3 billion. The old adage of “buyer beware” is especially true when booking hotel reservations online. Look closely at the site before you book and make sure you are dealing directly through the hotel or a trusted online booking site or you may find yourself receiving a blank look at the front desk when you arrive at your destination and discover that you have been duped!

*Source:* New Study Reveals: Some 15 Million Online Bookings Are Scams By Rogue Websites, American Hotel & Lodging Association. Retrieved (12/2/2016). Available at <https://www.ahla.com/press-release/new-study-reveals-some-15-million-online-bookings-are-scams-rogue-websites>.

practices has shown that OTAs provide customers with reliable information on hotel quality based on guest comments and that customers are willing to pay a price premium for hotels with a good review record.<sup>13</sup>

## Internet as a Travel Tool

The Internet exploded onto the scene in the last years of the 20th century and changed the tourism industry forever. As online users have become more comfortable, confident, and convinced of the security on the Internet, more and more travelers are relying on this medium for their travel needs. Research has demonstrated that in addition to booking, online leisure travelers use the Internet for three purposes: ideas, inspiration, and information. More than nine in ten U.S. travelers use the Internet at some point in the travel planning process.<sup>9</sup> And where are their searches taking them? In descending order of importance, they are seeking information on accommodations, attractions, where to visit, when to visit, and sample itineraries for their visits.<sup>14</sup>

The Internet affects our travel habits in other ways as well. We routinely turn to the Web as a source of customized maps to our destination and for on-the-go directions on how to get from place to place at our destination. We also use weather sites for up-to-the-moment travel weather reports before and during our trips. And we rely on the Net to check the on-time status of flights and trains, and traffic congestion on our driving routes.

The Internet has become a major source of information about travel products and destinations. Many potential travelers routinely turn to their computer or mobile devices whenever they have a travel need or question. Guidebooks come in downloadable form and can be carried on a smartphone, tablet computer, or other mobile devices. Many destination tourist boards have fully utilized the current technology in providing podcasts of destination information, participating in blogs, and offering travel intermediary training programs on demand. With the use of email, mobile phones, and other personal technologies, we can “get away from it all” while still staying in frequent contact with others. Cyber cafés have already cropped up on cruise ships, and WiFi access is available in tourist destination areas where, for a nominal fee or free, one can jump online and retrieve and send emails or messages. Most hotel rooms are equipped with Internet access, if not full-technology suites. The postcard may become extinct as vacationers use their digital cameras to download and share images with friends and loved ones who “wish they were there” instantly through emails or social media sites.

## The Power of User-Generated Content

User-generated content, made possible through Web 2.0 and facilitated through [social networking](#) and We(b) logs, [blogs](#) (Facebook, YouTube, LinkedIn, WeChat, and other social media platforms), found its way into the world of tourism and hospitality and is having a profound impact on the entire tourism industry. “User-generated content, because it is genuinely one traveler speaking to another, offers the sense that what you see (or read) is really what you want to get: an experience that is authentic and out of the mainstream (p. 14).”<sup>15</sup> Perhaps the ultimate in user-generated content is Periscope. With Periscope, users activate their smartphone cameras allowing viewers to become virtual tourists.

Social media is not only allowing consumers to research tourism sites and book services, but they can also create content and engage with companies. This new media format, like all technological innovations, has created both opportunities and challenges for tourism service suppliers. Opportunities are presented as awareness and interest can be created by posting positive comments. However, challenges arise when negative comments appear. Because information will be created and disseminated at lightning-fast speeds, organizations must now monitor what is being said and distributed about them.

There is more being written about some locations, hotels, restaurants, and local “hot spots” than could ever be read by one person. In fact, “[d]ue to the high volume of user-generated content typically found on social media and networking sites, it is difficult for each travel supplier to absorb it all.”<sup>16</sup> Like any technological advancement, decisions will have to be made on how to monitor and respond to the information that is being created. This monitoring function is especially important, as anything can be posted, true or untrue, requiring the need for rapid response to legitimate customer complaints and to correct false information.

Many tourism suppliers and online travel agencies are actively managing their brand presence on social networking sites, such as Facebook, and microblogs like Twitter. They are connecting with consumers by providing convenience, instant gratification, personal control, and relevancy. Alaska Airlines’ Jenna, an online virtual assistant, provides website visitors the opportunity to chat and ask questions. United Airlines’ Twares makes special offers only to their followers on Twitter.

There is no question that social media is a growing and important source for online travel information searches. It is also an important tool for travel planning and may well continue to grow into the primary source for travel information as these sites seem to be available everywhere. Research has shown that in search engines, social media websites are one of first few results appearing when searching for travel-related information.<sup>17</sup>

When information is acquired and analyzed from every customer touch point, meaningful relationships can be formed with customers from the information collected.

### FYI SHOW ME MORE

It seems like there is an app for almost everything, and there probably is. When it comes to tourism, you can find an app that will help you dream, plan,

book, and enjoy every step of your trip. And, while you are doing all of this, marketers are connecting with you to enhance your experiences. If you have

not already used some of the following apps, take time to try them out before you take your next trip:

Cedar Point VR  
Google Maps  
SkyScanner  
Maps.Me

Time Out  
Gogobot  
Lonely Planet  
Stay.com

GateGuru  
TripCase  
Field Trip  
Yelp

The list could go on and on, but you get the idea. Get APPING!

By offering them products and services that are tailored to meet their individual needs, sales volume can be increased and profitability can be enhanced. Whether these interactions are in person, over the phone, through web chats, or electronically facilitated, customer relationship management creates a personal touch.

## Improving Profitability

**Revenue management** (which is also called **yield management**), a foundational component of almost every MIS for tourism service suppliers, was developed by Bell Laboratories in 1988 and initially used as a scheduling tool for the airline industry. However, its effectiveness in addressing a host of marketing, management, and financial issues soon expanded its use to other tourism service providers such as hotels/motels, resorts, restaurants, theme parks, cruise ships, golf courses, and car rental companies. Basically, revenue management requires allocating capacity to customers at the right price and at the right time to maximize revenue or yield, enhance customer service, improve operating efficiency, and increase profitability under the following conditions.<sup>18</sup>

- **When capacity is relatively fixed.** For example, when demand increases, airlines cannot simply add more seats; hotels cannot add more rooms; and rental car companies cannot quickly enlarge fleets at specific locations.
- **When demand can be separated into distinct market segments.** For example, tourism service providers can segment demand based on specific customer profiles and needs.
- **When inventory is perishable.** For example, as we have previously mentioned, once a plane has left the gate, there are no more opportunities to fill its seats with revenue-paying passengers on that flight.
- **When services can be sold well in advance.** For example, reservation systems allow leisure travelers to save money by making advance reservations with specific time restrictions.
- **When demand fluctuates substantially.** For example, during periods of high demand, higher rates can be obtained, but during periods of lower demand, lower rates may be necessary to attract customers.
- **When marginal sales costs are low and marginal capacity costs are high.** For example, the cost of selling an additional reservation for an airplane seat or a night's lodging is minimal, but the cost of purchasing a larger airplane or adding rooms to an existing hotel would be very expensive.

Although revenue management has been widely applied in many different industries, each of these industries has their own specific characteristics and differences. Based on the two strategic levers unique to services, these industries could be segmented into four quadrants. The first lever is price. Price of service offerings could be fixed (one price for all) or variable (dynamic pricing). The second lever is duration; whether consumption duration of services can be predictable or not. When applying revenue management in different industries, strategies and focuses should be changed for each quadrant.<sup>19</sup>

“One of the underlying principles of revenue management is to understand what customers value and develop products that enable those customers that value a particular attribute to obtain what they want; albeit, having them pay for that privilege (p. 300).”<sup>20</sup> Technological advances now allow tourism service suppliers from airlines to rental car companies to sell everything efficiently from empty seats to unrented cars through GDSs, through their own Internet sites, or via intermediary Internet sites, such as Travelocity, Expedia, and Orbitz at the best possible price.



## FYI DYNAMIC PRICING

The adoption of revenue management in the hotel industry has brought renewed attention to the concept of dynamic pricing. During very high demand periods such as holidays, sporting events, concerts, conferences, and even college graduations when demand far exceeds the number of rooms available; hotel operators have implemented minimum stay requirements at significantly higher

prices. In these situations, minimum stays of two to three or four days at rates that are two or three times higher than normal are not uncommon. What has changed is that improvements in revenue management systems are allowing users to fine tune these stay and pricing decisions, on an hour-by-hour or even minute-by-minute basis, to generate even more revenues and profitability than previously recognized.

Other service suppliers such as theme park operators and restaurants have begun to use demand pricing to not only generate increased revenue, but also control demand and alleviate problems of overcrowding. Some say that these practices are nothing more than price gouging while others say they are smart business decisions leading to greater customer satisfaction and profitability.

## Operational Considerations

Although revenue management holds the promise of maximizing revenues, it, like most other quantitative management tools, should not be used blindly. Factors, such as desired market position, customer satisfaction, employee morale, and demand for related goods or services, must be considered. As competition among transportation services increases and more governments privatize or eliminate subsidies to their airlines and passenger rail systems, revenue management techniques will grow in importance.

Mere possession of a revenue-management system does not guarantee success. For a company to be successful with revenue management, it must have a clear understanding of the needs and price sensitivity of its various market segments; it must be able to fully integrate its revenue management system with other computerized systems; it must be able to properly train and motivate its employees and managers; and it must be able to quickly respond to competitive pressures.<sup>21</sup> (p. 138)

Additional benefits can be obtained from revenue management when it is combined with dynamic packaging and suggestive selling. Look at the benefits already gained from this approach by an innovative marketing leader in Web selling, Amazon.com. Any time you search for or purchase an item on Amazon, a message appears saying, “Other people who bought this item also bought . . .” Tourism service suppliers are beginning to use this same idea of suggestive selling, but the full potential of this sales tool along with cross-marketing and dynamic packaging have yet to be fully embraced.

## Revenue Management in Practice

The following example will highlight the importance of revenue management techniques as they are used to enhance revenues and potential profitability in an airline setting. This same approach can be used by every other tourism service supplier. Revenue management allows service providers to reserve capacity for the highest revenue customers as they book reservations closer to the time of consumption.

For ease of understanding, we will use a smaller 37-seat aircraft in this example. The principles will remain the same for larger aircraft as well as in other settings, especially hotels and resorts, where tourism service providers are seeking to enhance revenues.

On a 250-mile flight between cities A and B, we know from past reservation data that we can sell all 37 seats on our flight to leisure travelers. These travelers would be willing to purchase all seats for advance purchase excursion ticket fares of \$117 each

way ( $\$117 \text{ fare} \times 37 \text{ passengers} = \$4,329$ ). We also know that we could sell 17 full-fare coach tickets to business travelers for \$398 each way ( $\$398 \text{ fare} \times 17 \text{ passengers} = \$6,766$ ). If this were an either/or decision, we would choose to sell only full-fare coach tickets because it would result in \$2,437 more in revenue (\$6,766 compared to \$4,329); we could focus more attention on each passenger with the same required flight crew; and we would save fuel with a lighter load.

However, neither one of these choices will allow us to maximize revenues for this flight. What we need to do is hold back enough seats in the full-fare (\$398) category to serve our business customers who need to travel on fixed schedules, usually purchase at the last minute, and do not make their travel decisions solely on price. At the same time, we still want to fill the plane to generate as much revenue as possible. We could sell all of the remaining 22 seats at the \$117 advance purchase excursion fare. However, this choice would still not maximize revenues.

Based on information provided from our revenue management system, we decide to sell eight seats at \$117 each if they are reserved more than 180 days in advance, 12 seats at \$189 if they are reserved more than 21 days in advance, and hold 17 seats that based on past experience we will be able to sell at the full \$398 fare up to the time of departure. By making these decisions, we have begun the process of maximizing revenues.

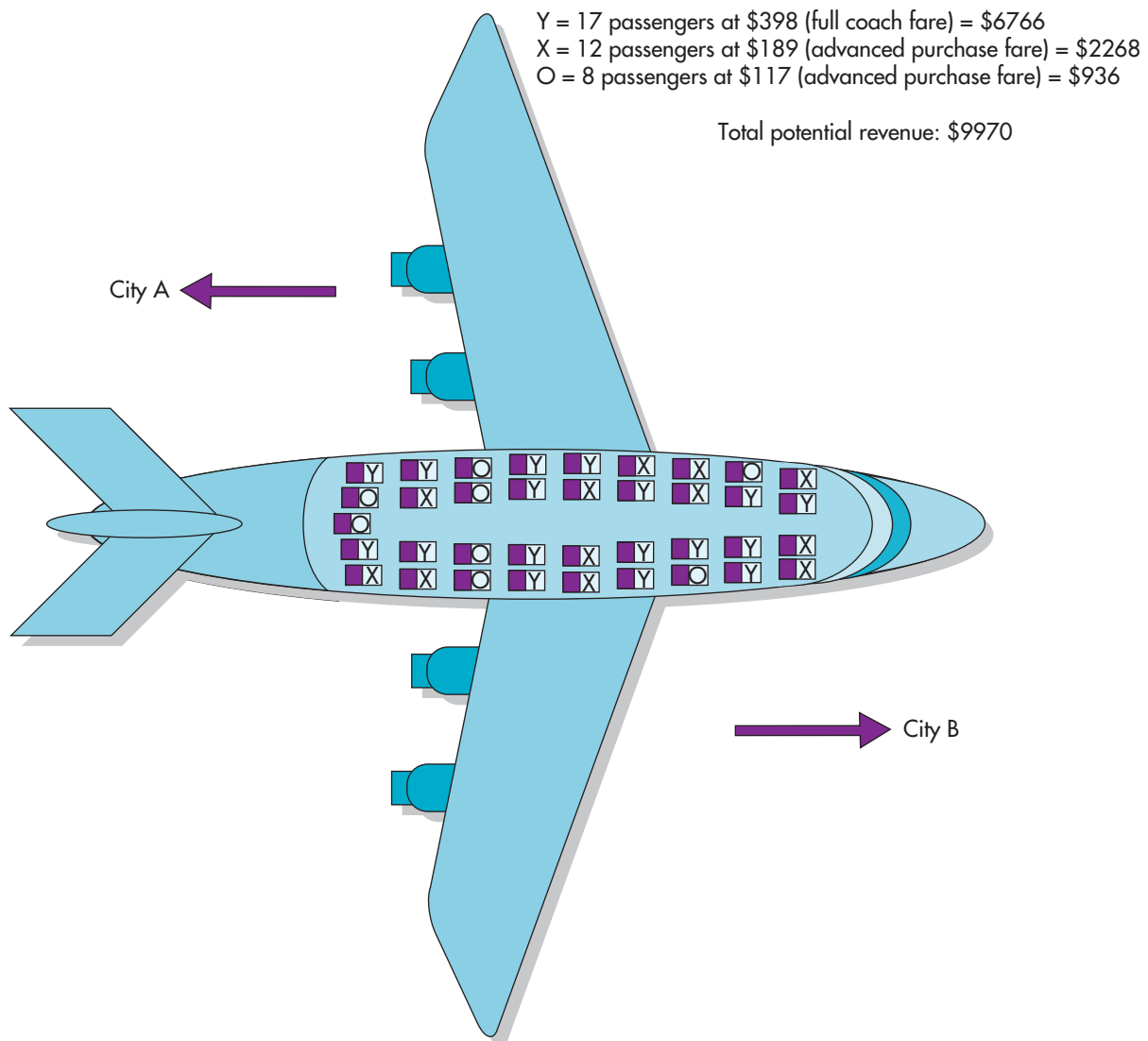
Our true yield for this flight will be based on the number of revenue-paying passengers who actually fly on the day of departure. Passengers buying discounted tickets know that these fares are nonrefundable and have restrictions. Therefore, they typically arrive for the flight, claim their reservations, and board the plane. On the other hand, passengers who have paid full fare may not claim their reservations, because they can be canceled and/or changed without penalties. Knowing this, we might overbook the flight, realizing that based on historical information, a certain percentage of passengers holding reservations will not show up to claim their seats.

Figure 5.2 shows a seating configuration for a 37-passenger airplane and how these seats might be filled with revenue-paying passengers in our example. By managing our seats to meet the needs of specific target groups, we will generate \$9,970 in total revenue if all passengers honor their reservations. Remember that for the sake of simplicity in our example, we used a smaller aircraft flying a direct route and offered only three fare categories. As the size of aircraft increases, we add in a round trip, and the number of **legs** multiplies; revenue management calculations can become very complex, requiring sophisticated computer hardware and software programs.

There are several other key statistics that can be generated from the data that are gathered to maintain our revenue management system. These data include **available seat miles (ASMs)**, **revenue passenger miles (RPMs)**, and **load factor**. In our flight example with a 37 seat aircraft, we would have 9,250 ASMs ( $250 \text{ miles} \times 37 \text{ seats}$ ), and if we had only sold 30 seats we would have generated 7,500 RPMs ( $250 \text{ miles} \times 30 \text{ revenue passengers}$ ), resulting in a load factor of 81% ( $7,500 \text{ RPMs} \div 9,250 \text{ ASMs}$ ).

Airlines have continued to expand the capabilities of revenue management. Not only are they using it for its original intent, but they are also expanding its use to generate other operating efficiencies. Everything from flight planning and crew management to group sales management and cargo sales are being incorporated into an integrated system.<sup>22</sup>

Technology will definitely change the face of the tourism industry. Where and when these changes will occur is anybody's guess. What we do know is that technological advances will change how operators deliver services and how customers access and enjoy these services. As more tourism suppliers fully adopt the revenue management concept and as software developers create more sophisticated programs, additional applications are being tapped. No longer are users looking to simply enhance revenues, they are now seeking to implement profit optimization strategies. In addition, they are also seeking to enhance revenues from all yieldable revenue streams such as meeting spaces, food and beverage offerings, retail outlets, and even spa and professional services.<sup>23</sup>

**FIGURE 5.2**

Revenue management example for one leg of flight.

Care should be taken in the implementation of revenue management as, when looking strictly at the numbers, decisions may only focus on short-term revenues, thereby neglecting long-term customer relationships. These short-term decisions may create potential management conflicts between revenue management and customer relationship management. Therefore as companies implement and refine their revenue management policies, they should have a good understanding of both aspects (revenue and service) in order to balance both sides of the revenue and service equation.<sup>24</sup> When you reach Chapter 14, we will share with you some of our expectations for the future impacts of technology on tourism and hospitality.

## Summary

In response to the need for information to improve planning and decision making, management information systems designed to collect, store, and interpret data have evolved

to support every function found in tourism and hospitality operations. Staying on top of the technological advances that make these support systems can be an expensive and

time-consuming proposition, as change is a constant when it comes to technology. Not only is it expensive to incorporate each new technological advance, but it can also require a significant commitment in training and education for both employees and customers. In addition to time and resource commitments, there can be reluctance to adopt changes owing to fears of losing the human connection that has historically been the foundation of hospitality.

In spite of these concerns, technology is revolutionizing the tourism industry. In the face of rising wages, increasing input costs, and intensifying competition, doing business in the same old traditional ways no longer seems to be working. Technological innovations ranging from fairly simple handheld input devices to complex PMSs are improving communication, operations, profitability, and customer service. In addition, more and more consumers are expressing a desire to take control of the service encounter through the tap of a finger on their mobile devices.

All travel distribution channels and sectors were fundamentally changed by the advent of the Internet. The introduction of the Internet expanded travelers' access to information and choices for points of purchase, intensifying competition. In response, travel marketers created online booking engines that allowed travelers to compare available inventories by both price and availability. As online users have become more comfortable,

confident, and convinced of the security of the Internet, more and more travelers are relying on this medium for their travel needs.

Creating and accessing user-generated content found its way into the world of tourism and hospitality and it, like the Internet, has created even more changes for marketing managers. This new media format, like all technological innovations, has created both opportunities and challenges as information, both positive and negative, is created and disseminated at lightning-fast speeds, requiring constant monitoring. Handheld devices and tablet computers are also aiding employees in the service delivery process.

Revenue management, a foundational component of almost every MIS for tourism service suppliers, was initially used as a scheduling tool for the airline industry. However, its effectiveness in addressing a host of marketing, management, and financial issues soon expanded its use to other tourism service providers such as hotels/motels, resorts, restaurants, cruise ships, golf courses, and car rental companies as part of more complex MIS. Although revenue management holds the promise of maximizing revenues, it, like most other quantitative management tools, should not be used blindly. Revenue management and all of the other technological innovations discussed in this chapter will definitely change the face of the tourism industry. Where and when these changes will occur is anybody's guess.

## You Decide

Frequent travelers love them. The more you fly, rent, stay, play, and dine, the more you earn. And, the more you earn, the higher your status and prestige with the airline, car rental company, hotel, casino, or restaurant. What are they? Points!

The benefits that flow from points range all the way from upgrades to free flights, rental, stays, and more. So it's no wonder that travelers are willing to give up a host of personal information to tap into these loyalty programs.

Think for a moment about the types of information these program participants willingly share with their travel service providers. Depending on which travel service provider is concerned, your personal profile could contain credit card numbers, driver's license number, your mother's maiden name, or even information about other travel service providers you frequently use.

Once a traveler becomes active in a program, other information may be collected ranging from birthdays and

anniversaries to spending patterns and leisure versus business activities. All of these specifics provide the key pieces of information needed for creating effective targeted marketing communications. With ever-expanding databases and software enhancements, the depth and breadth of information that can be collected are limited only by the imagination of the data acquirer.

Although these programs have been designed to capture customer loyalty and enhance service delivery and satisfaction, a question of how much information is enough arises. What types of information is it ethical to acquire and store on loyal customers? How should this information be used? How long should it be retained? Can it be shared with other entities in the same organization and/or related travel partner organizations? Where should the lines be drawn on information collection?

## Net Tour

To get you started on exploring Internet links for this chapter, please see

[www.tripadvisor.com](http://www.tripadvisor.com)  
[www.pegs.com](http://www.pegs.com)  
[www.radiantsystems.com](http://www.radiantsystems.com)  
[www.micros.com](http://www.micros.com)

[www.web20travel.blogspot.com/](http://www.web20travel.blogspot.com/)  
[www.utell.com](http://www.utell.com)  
[www.lhw.com](http://www.lhw.com)  
[www.travelsupermarket.com](http://www.travelsupermarket.com)  
[www.interactivetravel.net](http://www.interactivetravel.net)

## Discussion Questions

1. What technological advances have made the most significant changes in the tourism industry?
2. How can technology be used to enhance productivity?
3. How can technology be used to improve both internal and external communications?
4. How has the Internet changed the delivery of tourism services?
5. How can technology be used to enhance customer service?
6. How can revenue management be used to improve financial performance?

## Applying the Concepts

1. Make an appointment to visit the manager of a local hotel, resort, or restaurant. During your visit, find out how technology is being used. Make a list of the names of products, systems, and/or programs being used and describe the functions they perform.
2. Browse the Internet for POS suppliers. Develop a list from your search of three companies that supply this technological application along with a description of the services they offer.
3. Browse the Internet for PMSs. Develop a list from your search of three companies that supply this technological application along with a description of the services they offer.
4. Using your favorite search engine, type in “travel blog.” Based on the results, select one blog and summarize your findings for that site.
5. Using Expedia, Travelocity, or Orbitz, search for airfares between Atlanta and Los Angeles on three different dates. The first date for your search should be at least 30 days from today’s date. The second date should be 15 days from today’s date. Your third date should be five days from today’s date. Prepare a list of flights and rates. Are the prices the same? If they are different, explain why there is a difference.
6. Use the various channels (e.g., hotel’s own website, online travel agencies, hotel’s reservation telephone hotline, local travel agency) to obtain rates for a hotel stay on a particular night. Are the rates the same or different? Why do you think they are the same or different?

## Glossary

**Available seat miles (ASMs)** The distance traveled multiplied by the number of seats available.

**Blogs** Online journals composed of links and postings in reverse chronological order.

**Data** Facts and figures.

**Data mining** Analyzing information stored in computer databases with the help of statistical techniques to uncover hidden relationships and patterns.

**Enterprise resource planning (ERP) system** A system designed to combine all information sources, subsystems, and processes from various locations into one unified system.

**Enterprise systems** Computer systems that provide for collaboration and communication of data storage and retrieval across multiple departments and organizational units.

**Folio** A form used to record a guest’s hotel.

**Information technology** Computer systems that provide for the storage and retrieval of data.

**Learning curve** The rate at which people learn over time.

**Leg** The segment of a flight between two consecutive stops.

**Load factor** The number of revenue passenger miles (RPMs) divided by the number of available seat miles (ASMs).

**Management information systems (MIS)** Computer-based systems designed to collect and store data and

then provide information for planning, decision making, and problem solving.

**Night Audit** An accounting function performed in hotels at the close of each business day to ensure the correct posting of all revenues.

**Point-of-sale (POS) systems** Systems designed to record and track customer orders, process debit and credit cards, manage inventory, and connect to other systems in a network.

**Property management system (PMS)** A unified system used to manage sales and marketing, reservations, front office operations, POS systems, telecommunications, back office operations, and revenue management.

**Revenue management (yield management)** The process of allocating the right type of capacity to the right kind of customer at the right price so as to maximize revenue or yield.

**Revenue passenger miles (RPMs)** One seat on an airplane, railroad, or motorcoach traveling one mile with a revenue-producing passenger.

**Social networking** Individuals tied together by a common interest or theme who share bookmarked Web links and conversations.

**Technology** The use of new knowledge and tools to improve productivity and systems.



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# PART I

## Integrative Cases

Whose Money Is It?

Measuring and Managing Employee Turnover at Tastee Max Restaurants

Boss or Friend

100% Satisfaction Guaranteed

**WHOSE MONEY IS IT?**

ROY A. COOK AND EDWIN C. LEONARD, JR.

There was no question about it; being a server at Charley's Restaurant was hard work. You were on your feet all evening, doing your best to make the dining experience pleasurable. However, there was a reward to look forward to for all of your hard work—tips.

When the practice of tipping for food service started, no one knows for sure, but the custom had become firmly established in American restaurants and bars. In fact, tips had become so common, that an acronym was now associated with the practice; TIPS, To Insure Prompt Service. And, tips had become a significant part of many food servers total compensation.

By tradition and practice, customers typically left 15% to 20% of the total check as a tip. During a busy meal period, tips for fast, efficient, and pleasant service could be very rewarding. Under the Fair Labor Standards Act (FLSA), restaurants like Charley's were allowed to take a tip credit and pay servers less than the federally mandated minimum wage, based on the assumption that servers received tips from their customers.

While receiving tips may seem like a simple and expected practice, the distribution of tips can become a cause for concern and dissatisfaction. When servers receive all monies left on the table and credit and debit cards, the servers are satisfied, but greeters, bussers, and kitchen staff can feel left out. Recognizing the importance of the whole service team, servers frequently share a small portion of their tips with bussers. Some restaurants attempt to address what may seem like an inequity by establishing tip pooling plans. In these plans, servers pool and divide all of their tips based on pre-established allocation formulas.

No matter how tips are received, it seems like someone is always dissatisfied. In fact, dissatisfaction would be putting it mildly for one server at Charley's, Katy. She was downright mad and wasn't going to take it anymore. She had decided that the tip pooling plan at Charley's was unfair and she was taking action to make sure that she would be treated fairly.

Charley's followed the practice of pooling tips. The idea in and of itself wasn't so bad. If you had a bad day, had some lousy tippers for customers, or were assigned to a slow station, you could make it up by dividing tips equitably with other servers. The problem, as far as Katy was concerned, was that Charley's included the kitchen staff in the tip pool. Katy didn't mind pooling her tips with the other servers or giving a little bit to the bussers, but she finally decided to draw the line when it came to sharing with the cooks and dishwashers.

Katy had known about the practice at Charley's of servers receiving only 30% of the pooled tips in proportion to their hours worked and the kitchen staff receiving the remaining 70% when she was hired. She had accepted the idea because Charley's hourly pay rate had been \$2.10 above the federal minimum wage. But, once she saw the money from her "hard work" being "taken" away from her and being given to "those out-of-sight" people, it was more than she could stand!

Katy wanted "her" money back and filed suit against Charley's to get it. Katy claimed that, although Charley's had paid her more than the required minimum wage, it had violated the FLSA. She claimed that even though Charley's had not taken a tip-credit, it was not customary for cooks and dishwashers to participate in the tip pool.

Since no management or supervisory employee participated in the tip-pooling plan, Charley's argued that the compensation program was valid and no laws were violated. So, whose money is it?

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This critical incident was prepared by Roy A. Cook, Professor Emeritus, Fort Lewis College, and Edwin C. Leonard, Jr., Professor Emeritus, Indiana University–Purdue University Fort Wayne, and is intended to be used as a basis for class discussion. The views presented here are those of the authors based on their professional judgment and do not necessarily reflect the views of the Society for Case Research. Copyright © 2011 by the Society for Case Research and the authors. No part of this work may be reproduced or used in any form or by any means without the written permission of the Society for Case Research.

## **MEASURING AND MANAGING EMPLOYEE TURNOVER AT TASTEE MAX RESTAURANTS**

BONALYN J. NELSEN AND PATRICIA A. WALKER

### **INTRODUCTION**

Ronda Garvey, assistant manager of a Tastee Max restaurant located in the food court of one of upstate New York's busiest malls, pored over the turnover statistics for her restaurant. In 2008, average employee turnover within the nine-unit quick service restaurant chain was 66.3%—well below the industry average of 120% (U.S. Bureau of Labor Statistics, 2009). However, the average annual turnover rate for Ronda's restaurant was 122.7%, approximately double the turnover rate of other Tastee Max stores. Ronda chafed at the knowledge that her restaurant was known as the chain's "bad store" due to frequent employee problems and high turnover, and she was determined to improve her unit's performance. Ronda had several ideas about how the turnover problem could be addressed, but knew that obtaining support for her ideas would not be easy. Noting that the chain's employee turnover was about half the industry average for quick service restaurants, Tastee Max's corporate managers had been relatively unconcerned about the problem. Key to the success of any initiative taken to curb turnover was gaining the support of corporate management. Ronda wondered, "What actions should I suggest for lowering employee turnover, and how can I make a business case for my ideas?"

### **Company History**

Tastee Max was a family restaurant chain established in upstate New York in 1955. The original store was a small refreshment stand featuring ice cream and hand-made root beer; over time the menu expanded to include hamburgers, hot dogs, hot sandwiches, and French fries (see Appendix: Table 1, p. 6). The restaurant was known for its uncompromising standards for excellent product and service quality. For example, choice cuts of beef were ground daily in every store for hamburgers; only all-meat hot dogs with natural casings were used; and the restaurant's handcrafted root beer was made on site. Tastee Max won a devoted following among customers, who were known to drive long distances to purchase a Tastee burger or frosty mug of root beer. Over the next five decades, Tastee Max opened a total of nine restaurants (called units or stores by company insiders) across upstate New York. Six units were stand-alone restaurants, while the remaining three—including Ronda's unit—were located in the food courts of area malls. All restaurants featured a menu consisting of hamburgers, hot dogs, hot sandwiches, cold salads, French fries, ice cream, and soft drinks. In 1985, a group of local businesspeople purchased the chain, but continued to operate the company using the original name, menu, and business concept. Tastee

Max's company culture continued to be based on nine core values handed down by the restaurant's founder:

- The Golden Rule: Always treat customers and co-workers as you would like to be treated.
- Customer Focus: Our success is directly tied to how customer focused and attentive we are. Always remember that the customer is the reason we are here.
- Professionalism: We honor co-workers and ourselves by prohibiting the use of profanity in the workplace.
- Work Performance: Promotion and pay raises are based on work performance, teamwork, and customer service skills rather than seniority.
- Investment: Investing money in our facilities is important; investing in employee training is ten times as important.
- Diversity: We create a work environment in which everyone can do their best regardless of race, religion, or sexual orientation.
- Caring: We exhibit care and concern for our fellow workers.
- Cost Control versus Product Quality: Controlling costs is important to our business success. However, we will never compromise product quality for the sake of saving money.
- Simplicity: Our systems and procedures must be simple to permit consistent, flawless execution.

### Employment Practices at Tastee Max

Tastee Max restaurants were open for service from 10:30 A.M. to 9:30 P.M. (9:00 P.M. in stand-alone stores) Monday through Saturday, and from 11:00 A.M. to 6:00 P.M. on Sundays. Mall stores were required to keep longer hours during the busy holiday shopping season, staying open until 10:00 P.M. on Mondays through Saturdays and 8:00 P.M. on Sundays. To staff these hours every restaurant had 25–30 employees, with 5–9 employees comprising a shift crew. With the exception of supervisory employees, most workers were under the age of 20 years and worked 26 hours or less per week. Supervisory employees (shift supervisors, assistant managers, and head store managers) worked between 30 and 50 hours during a five-day work week. Average wages for supervisory and nonsupervisory restaurant workers were consistent with those in the quick service restaurant industry (see Appendix: Table 2, p. 7). New workers at Tastee Max earned approximately \$7.25 per hour, the minimum wage in New York State. Workers typically received a wage increase of \$.25 per hour at the end of their probationary period with the company, provided that their performance was satisfactory. The average wage earned by Tastee Max crew members was \$7.75 per hour.

Upon hire, all employees were supposed to attend a four-hour group orientation session designed to acclimate them to the company. During the orientation—which was offered most Saturdays—new employees were introduced to the rules and policies in the employee handbook, the company's mission and culture, the restaurant's menu, and procedures for taking customer orders and handling cash; employees were also given the opportunity to complete paperwork needed for their employment. New employees were then assigned to a restaurant for two or three weeks of on-the-job training. Although all new employees were required to attend the orientation and complete on-the-job training, many did not. Ronda knew that the orientation and training was largely done at the discretion of store managers. While some store managers dutifully oriented and trained their employees, others favored a “sink or swim” approach of



immediately putting new employees on the job, perhaps with the help of a more experienced employee for a day or two. Moreover, some new employees were unable or unwilling to attend the orientation session on a Saturday. All newly hired employees served a 90-day probationary period before earning the status of a “permanent” employee.

Tastee Max offered benefits to permanent employees who met two qualifications. Group health insurance was offered to all employees who worked (1) 13 consecutive weeks after completing one full year of employment with the company and, once eligible, (2) worked a minimum of 30 hours per week. To be eligible for the 401(k) Plan employees had to be at least 21 years of age and complete at least 1,000 hours of work in addition to one full year of employment. In addition, employees who worked at least 35 hours per week were eligible for 48 hours of personal time after completing at least 1,000 hours of work in addition to one full year of employment. The personal time benefit was increased on the second, fifth, and tenth year of employment after the benefit was originally received. Managers and Assistant Managers were granted additional time off: in their first year of employment store managers were eligible for 110 hours of paid leave per year, with allowance increases in the second and fifth year of eligibility. Tastee did not offer paid sick leave; all employees were required to use their earned personal time if they wished to be paid for work missed due to illness or personal needs. Because most employees worked less than 35 hours per week, supervisory employees were usually the only individuals who qualified for these benefits.

Tastee Max employed a progressive employee discipline policy to enforce company rules. The first violation of a rule or policy would result in a verbal warning to the employee; the offender’s supervisor would write and sign a brief description of the incident, which was placed in the employee’s records. A second violation of the same rule or policy would result in the employee receiving their first written warning. This document described the rule and the incident in which it was violated. After the supervisor and employee read and discussed the document, both parties signed the warning, which was placed in the offender’s records. The third violation of the rule or policy resulted in a final written warning, which again described the incident; again, both the supervisor and the employee signed the written warning after having read and discussed the document. A fourth violation of the rule resulted in the employee’s termination. In short, Tastee Max employed a sort of “three strikes” rule in which employees could violate a particular rule or policy three times before being involuntarily terminated for cause. All written warnings were kept in employee files for a period of one year. After this time, the company discarded written warnings for rule violations or poor work performance and each employee started with a clean disciplinary slate. Employees who voluntarily or involuntarily terminated their employment with Tastee Max were asked to complete exit interviews prior to departure, although doing so was not compulsory and many departing employees refused or forgot.

### **Employee Turnover at Ronda’s Store**

Ronda had worked for Tastee Max for a total of six years. The last 18 months of her tenure was spent working at the Jubilee Mall store. Jubilee Mall was located within a few miles of affluent suburbs, three large companies employing several thousand workers and a university with approximately 15 thousand students. Its favorable location made the Jubilee Mall store one of the chain’s busiest and most profitable units; the store consistently ranked third or fourth in sales revenue among all Tastee Max restaurants. But Ronda admitted the restaurant had acquired a reputation for being a “problem store” among Tastee Max’s senior management due to the unit’s excessive turnover and employee-related problems. Approximately 25% of all newly hired

employees quit before completing their training and probationary period, and most of the remaining 75% would leave before completing their first year of employment. The average tenure for employees at the Jubilee Mall store was nine months. In fact, during the previous fiscal quarter her store had lost nine employees—the equivalent of an entire crew for an eight-hour shift—that had to be replaced. Ronda had identified several reasons for the problem.

Both transportation and commuting contributed to employee turnover. Because most university students and local students from affluent families rejected minimum-wage fast-food jobs, most of the “line” or nonsupervisory workers were urban, working class people who did not own or have access to private vehicles. Ronda estimated that 80% of the line employees who worked at her store relied on the city’s bus system to get to and from work. Because there were few direct bus routes from the inner city to Jubilee Mall and busses ran infrequently on Saturdays, Sundays, and holidays, employee commutes were often long and complicated; it was not unusual for employees to make several connections and ride for several hours to get to work. For example, the bus circuted the route from the city to Jubilee Mall every two hours on Sundays. The last bus to the city left the mall at 6:25 P.M. on Sunday evening. Employees who commuted on that bus would want to leave before 6:25 P.M. even if their shift was unfinished or their work remained undone. Those who did so would receive a disciplinary warning or “write up” as a result. If line employees were frequently late or repeatedly walked off the job before their scheduled time, they risked being terminated. Others simply tired of the long, boring commute and quit their jobs.

Absenteeism, poor punctuality, closing a store early, and walking off one’s job were also drivers of turnover. Due to the vagaries of weather and traffic, it was not unusual for bus-riding employees to show up late for their shift, and delays for personal reasons were not infrequent. When employees knew they were going to be late or absent from work, company policy dictated that the employee either find another employee to cover their shift or “call in”—give management at least four hours’ notice so a replacement worker could be found. Ronda noted that tardy employees sometimes failed to call in at all. Those that were finally reached by telephone often claimed to be unaware that they were scheduled to work that day. “I can’t remember a single day that I’ve worked at this store when everyone has showed up or was on time,” Ronda claimed. Each incident of tardiness, absenteeism, or leaving before the scheduled time earned an employee a write up.

Violations of company rules were still other drivers of turnover. The Jubilee Mall store had the most ethnically and racially diverse crew in the Tastee Max restaurant chain. Diverse employees brought behaviors and attitudes to the workplace that sometimes clashed with managerial or company policy. For example, different views on handling customer, operational, and managerial issues caused friction between line employees and supervisors, most of whom were from middle-class suburbs. Ronda noted, “Our crew is vocal and opinionated. They won’t back down if someone gets in their face. Some supervisors see this as being unruly and insubordinate.” Employees were frequently written up for insubordination, which could lead to voluntary or involuntary separation. Other rule violations included wearing improper dress, not following sanitation and safety procedures, violating labor laws, having disagreements with members of the store’s management team, being rude or “talking back” to customers, pilfering food and beverages, giving friends unauthorized “discounts” on menu items, and not attending mandatory employee meetings held at 9:00 A.M. on Sunday mornings. All of these infractions would earn the offender a write up. Theft of cash and violence toward management were cause for immediate dismissal.

Ronda admitted that a store manager's leadership style occasionally contributed to employee turnover. Some managers favored certain employees with preferential treatment, particularly when enforcing company rules and policies. For example, a disfavored employee would be written up for lateness while a favored employee guilty of the same offense was not. Managers could also be arbitrary in enforcing rules due to distractions or disinterest. Other managers alienated line employees by "pulling rank" or acting in an autocratic manner. For example, Ronda described one supervisor who, when displeased, threatened workers with a reduced work schedule or outright termination; when employees disagreed with this person or were slow to follow her orders, the rogue supervisor demanded, "Do you want hours next week or not?" While the supervisor's imperious manner won grudging compliance in the short term, Ronda believed it created a hostile work environment that spurred employees to seek other employment.

### Addressing Employee Turnover at Tastee Max

Ronda knew that employee turnover had a negative impact on product/service quality, operational costs, employee morale and productivity for the company in general, and her store in particular (see Appendix: Table 3, p. 7, and Table 4, p. 8). Lowering employee turnover would improve the chain's profitability and competitiveness. Ronda had given considerable thought to the problem and identified several possible solutions. But first, she would have to convince the company's senior leadership that the problem was a serious one. The solutions that Ronda considered would require a substantial financial investment from the company, and company management would be reluctant to invest in costly remediation if the problem was not perceived to be serious. High levels of employee turnover were endemic in quick service restaurants due to the nature of the work and jobs. Consequently, turnover was viewed as normal and unavoidable in quick service restaurants. Moreover, Tastee Max's overall employee turnover rate was approximately half that of the industry average; management attention was focused on other problems, such as increasing sales and controlling food costs in a sluggish economy marked by rising food prices. To obtain the support needed to curb turnover, Ronda realized that she needed to "shake up" company management by demonstrating the financial and strategic impact of turnover on the company. But what sort of remedial plan should she offer, and how should she make a business case to win managerial support for her plan?

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### Appendix

Company averages for major expense categories (food and beverage, labor, paper, and fixed costs) were as follows:

- Food and beverage cost: 32% of total price.
- Labor cost: 30% of total price.
- Paper costs: 10% of total price.
- Fixed costs (rent, utilities, insurance, other services): 20% of total price.

In addition to an hourly wage, assistant managers, unit managers, human resource professionals, and trainers earned additional benefits equivalent to 28% of wages.

**Table 1** Selected Menu Items and Prices at Tastee Max Restaurants\*

Menu Item	Menu Price (\$)
Cheeseburger	3.89
Hot dog	2.89
Grilled chicken sandwich	4.69
Root beer, large cup	1.79
French fries, side	2.69

\*These prices do not include state sales taxes.

Notes: Tastee's food and labor cost percentages were consistent with those of other chains operating in the quick service restaurant industry.

**Table 2** Average Wages of Tastee Max Employees\*

Employee Type	Wage per Hour (\$)
Entry-level crew person (NUHIRE)	7.25
Experienced crew person (EC)	7.75
Shift supervisor (SS)	9.00
Assistant manager (AM)	10.25
Unit manager (UM)	11.00

\*Human Resources Professional (HRM) \$35,000/49-week year, 40 hours worked per week Trainer (TRAIN) \$35,000/49-week year, 40 hours worked per week.

**Table 3** Average Recruitment and Selection Costs for Entry-Level Employees\*

Type of Cost	Number of Hours and Employee Level
Review of applications	.25 hours per applicant, UM
Telephone screening of applicants	.25 hours per applicant, UM
Review notes from telephone screening	.25 hours per applicant, UM
In-store interview of job candidate	1 hour UM + 1 hour EC
Review notes, make hiring decision	.5 hours per candidate, UM
Contact candidate and make job offer	.25 hours per candidate, UM
New hire orientation	4 hours NUHIRE + 4 hours TRAIN
In-store training	20 hours per employee, AM + 20 hours per employee, NUHIRE + 20 hours per employee, EC
Completion of paperwork for new hire	.5 hours per new hire, UM + 1 hour per new hire, HRM

\*An entry-level employee is defined as an employee who has not successfully completed probation. An experienced crew member is defined as an employee who has successfully completed probation.

This critical incident was prepared by Bonalyn J. Nelsen and Patricia A. Walker both from Rochester Institute of Technology and is intended to be used as a basis for class discussion. The views represented here are those of the case authors and do not necessarily reflect the views of the Society for Case Research. Authors' views are based on their professional judgment. Presented to and accepted by the Society for Case Research. Adapted from Measuring and Managing Employee Turnover at Tastee Max Restaurants by Bonalyn Nelson and Patricia Walker, Annual Advance in Business Cases. Used with permission from Society of Case Research.

**Table 4** Average Separation and Vacancy Costs for Entry-Level Employees\*

Type of Cost	Number of Hours and Employee Level
Exit interview	.5 hours per separated employee, UM + .5 hours per separated employee, EC + .5 hours per separated employee, NUHIRE
Completion of separation paperwork	.5 hours per separated employee, UM + .75 hours per separated employee, HRM
Estimated cost of reduced crew productivity	Estimated 4 hours NUHIRE pay per each day the position remains vacant <sup>†</sup>
Overtime pay to cover vacancy created by separated employee	
Additional crew member “borrowed” from another store to cover vacancy created by separated employee	Estimated at 20 hours per separated employee .5 hours per separated employee, EC pay + \$1.00/hour (compensation for additional transportation costs, inconvenience, etc.)

\*An entry-level employee is defined as an employee who has not successfully completed probation. An experienced crew member is defined as an employee who has successfully completed probation.

<sup>†</sup>On average, two weeks is required to replace a crew member who leaves the company.

## BOSS OR FRIEND

DORY HAMMOND, DAVID BAKE, KENT KAUFFMAN, AND ERIC NELSON

Most college students don’t think much about being a manager when they first begin working. Sure like most employees, they may gripe about decisions that their managers make and wonder why they get paid more than when it appears like they never really work that hard. However, one college student, Rachel Maddox, found herself in the position of being a manager just a little sooner than she had expected. In fact, it seemed like one day she was signing in on a time sheet and thinking about how much of her tips to report to the Internal Revenue Service and then all of a sudden the next day she was a manager. She was offered and accepted the position of assistant manager at La Fortuna, a restaurant where she had been working for less than three years. As she assumed these duties, she soon learned that there was more to being a manager than met the eye.

Being a manager hadn’t been on her mind when she applied for a hostess position at a local Mexican restaurant during her first year of college. Even though she had never worked in a restaurant before, she got the job. She found the atmosphere exciting, the working environment enjoyable, and threw herself into the job. It wasn’t long until she had the opportunity to apply for a cashier’s position, a server’s slot, and finally head server. Her hard work and interest in all aspects of the business didn’t go unnoticed.

When one of the restaurant’s two assistant managers graduated from college and moved away at the end of the spring semester, Rachel was asked to fill the position. She hadn’t applied for the position or even thought about being a manager, but Diego,



the owner, convinced her that she was ready for the job. The only customer service position she hadn't held was bartender, but Diego assured her that he could teach her all she needed to know about this position. And to Rachel's relief, she would not be responsible for any of the kitchen operations.

So Rachel, 21 years of age at the time, took the job and found herself supervising 16 front-of-the-house employees, many of whom she had been working with since she started and all of them she considered to be her friends. One day they had been working together as a team and the next day she was in charge of the team. This sudden transition to being "in charge" was especially awkward with two of her co-workers, Mary and Joanie. They had become very close friends. All of them had been attending classes in the same Hospitality and Tourism program at the local college and, for the last two terms, they had been in many of the same classes together.

At first, when Rachel took over as assistant manager, she eased into her new position, reluctantly taking on her increased responsibilities. In the beginning, she even felt a little bad about being paid more than her friends who had been her equals just a few weeks before. However, things suddenly changed about six months after she became assistant manager, when the owner announced at the informal weekly staff meeting that two assistant managers were one too many. To Rachel's surprise he told the staff that Mary, who had been an assistant manager for over two years, was moving back to a head server position while Rachel would remain in her position as assistant manager. Change is always difficult and, when friends are involved, it can be even more difficult. Rachel now found herself in the awkward position of being fully responsible for restaurant operations in Diego's absence and having to supervise her friend Mary who had previously held the same position and whom she wanted to keep as her friend.

All of these changes came as a shock, but Rachel wanted to succeed. She thought to herself, "Dang, now here's a friggin' leadership challenge they don't teach you about in school. How do I manage my friends without losing them as friends?" Looking back, she thought about how excited she had been when asked to take on the assistant manager position and how much she had enjoyed the new challenges. Now she wasn't sure the extra money was worth the personal headaches.

### **La Fortuna's**

La Fortuna's was a busy authentic 80-seat, family-owned Mexican-style restaurant located along with many other casual dining restaurants in a busy metropolitan setting. It opened in 1999 and was purchased by Diego Arrigo in 2011. It was open for lunch and dinner, seven days a week, and had a fairly large customer base of regulars from the community, good traffic from the local hotels as well as many students from the nearby college.

### **Rachel Maddox: Reluctant Restaurant Manager**

So much of Rachel's experience prepared her to be La Fortuna's manager. She had been studying about basic business in college. While on the job, she learned to develop the weekly schedule for eight servers, one hostess, one cashier, five bussers, and a bartender. In her former position as head server, Rachel was already one of the primary trainers utilized when new people were hired, so this aspect of managing was not new to her. Upon being promoted to assistant manager, Rachel was asked almost immediately to do all of the interviewing, hiring, and firing, but again, she felt that the transition was slow enough to learn effectively what to do. Rachel felt the biggest change as assistant manager was that anytime the owner had a problem with staff, he came to her.

Rachel knew that Mary and Joanie had struggled with her promotion to assistant manager more than the other co-workers had. They both refused to come to her about anything work-related for a while after Rachel's promotion. But after Mary was demoted, she in particular struggled to find anything nice to say at all. That was frustrating because they were both supposed to be her friends, and Rachel thought Mary and Joanie should have been happy for her, especially since they shared the same major and they had all started to talk about future career plans in school and at work. However, neither of the women seemed that happy about the new reporting relationship. During the six months of Rachel's tenure as the assistant manager, Mr. Arrigo had relied on her to solve all his personnel problems, so it was surprising, but not totally unexpected, that he chose to demote Mary.

It got even worse for the three friends about a month after Mary's demotion, when Mr. Arrigo left on an extended trip to go home to Mexico. Before leaving, Mr. Arrigo gave Rachel the new title of Restaurant Manager. Now, in addition to her previously stated tasks, she was required to hold staff meetings and was put in charge of inventory, requisitions, and a few other smaller administrative tasks. Clearly, Mr. Arrigo held Rachel in high regard, but all the responsibility he was giving Rachel was really hard for Mary and Joanie to accept. They still seemed to find it hard to look up to her as their boss when they had thought of her for so long as just their friend.

Things really came to a head when Rachel was asked to take charge of inventorying and requisitioning all bar stock. Since this had to be done at closing, Rachel knew that she needed to delegate some of the responsibility, because there was no way she could do it on her own and still find the time to go to school. For control purposes, she and Diego agreed not to ask the bartender for help. So, in an employee meeting, she sought help from one of the servers with taking the inventory. She didn't think having someone else helping her to conduct a nightly inventory would be a problem, but she was wrong. No one wanted to take on this extra task at the end of a long day. While Rachel could understand why both of her friends would be disgruntled with her, it soon dawned on her that her good friends really had no idea about everything she did, nor did they care to pay attention to it.

This was not the first employee-related problem Rachel had encountered and to make matters worse, La Fortuna had no employee handbook or written procedures. As a single-unit family-owned business, very little about the operations or employment practices had been put in writing. Because of the lack of explicit policies, everyone at La Fortuna was an at-will employee. Each employee was free to resign without notice, and La Fortuna was free to release them without warning and legal repercussion.

### **Now What?**

When Rachel was offered the assistant management position back in that spring semester, she was excited to take the promotion: money was tight and she had no student aid, her partial scholarship didn't even begin to cover her school expenses, and the experience and title would help make her resume look awesome because the direct line experience was marketable when it came time to look for a career after graduation. It had all seemed so good. In this current economy, any promotion might help make one more marketable for the next job. And now she was the manager at La Fortuna. Yet, here she was having to take a class with Mary and having to oversee Mary and Joanie at the restaurant. Before Rachel's promotion, the three women's friendship seemed so solid. Now, Joanie always seemed to be mad at her and Mary seemed so distant, and all Rachel wanted to do after work was go out for a drink and just talk, like close college girlfriends need to!

**100% SATISFACTION GUARANTEED**

ROY A. COOK, LAURA J. YALE, AND JOHN E. CAVE

After a particularly frustrating business trip, Sales Representative Dan O'Brien sent the following letter to the president and CEO of El Primo Inns, Inc.

Dear Mr. Simmons,

As a long-time El Primo customer, I am very disappointed with the way I was treated on my most recent visit. You advertise a 100% Satisfaction Guarantee. However, I left your hotel nothing close to 100% satisfied.

I made a reservation through your reservation system for the airport location because my flight was not scheduled to arrive until 10:30 P.M. Your reservation clerk assured me that the hotel had airport shuttle service available at that time. I gave the airport location to my boss as he was to meet me the morning after my arrival.

Due to weather, my flight was over an hour late. After collecting my luggage, I called the hotel to request the shuttle. The clerk at the hotel could not find my reservation and asked for my confirmation number. Upon receiving it, he informed me that my reservation was at another El Primo property about 6 miles away. I called that property for shuttle service and was told that the service stopped running at 10 P.M. Therefore, I was forced to pay \$16 for a cab to take me to the hotel.

Upon checking in, I asked the clerk to call the airport hotel location and leave a message so that my boss could find me at this other location. Her response? "It's not my problem."

The next morning, I tried to explain the problems I had to the general manager. His only reaction? "I'm sorry." Is this all your managers are authorized to do when confronted with a dissatisfied customer?

When I checked in, the rate I was given was \$69, the rate I was quoted by your reservation clerk. When I checked out the next morning, the rate had increased to \$79. When I brought this discrepancy to the clerk's attention, he said that the night audit system automatically posts the rate of \$79 unless the night auditors override the system. He then corrected the amount. Again, I talked with the general manager and his response again was simply, "I am sorry."

These are the facts. Your 100% Satisfaction Guaranteed slogan doesn't really seem to mean very much. I look forward to your response.

Sincerely,  
Dan O'Brien

Based on the above information,

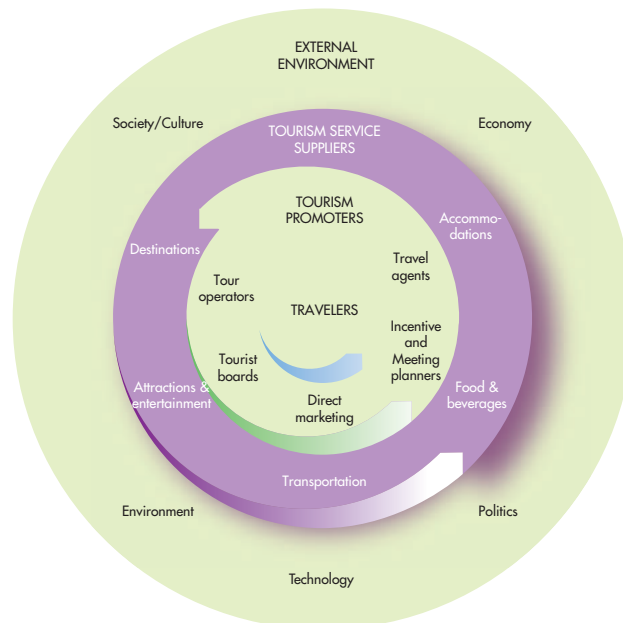
1. What should a "100% Satisfaction Guarantee" mean in the case of a hotel? What did it appear to mean in the case of El Primo Inns?
2. How many breaks from the service script occurred according to Mr. O'Brien's letter?
3. What service recovery measures should have been taken?
4. If you were Mr. Simmons, what would your response(s) be in this situation?
5. Should Mr. Simmons follow up on his letter to Mr. O'Brien? If so, what kind of follow-up? What should he say?

This critical incident was prepared by Roy A. Cook, Laura J. Yale, and John E. Cave of Fort Lewis College and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of the situation. The names of the organization, the individuals, and locations have been disguised to preserve the organization's desire for anonymity. Copyright © 2001 by Roy A. Cook, Laura J. Yale, and John E. Cave.

## Tourism Service Suppliers

### CHAPTERS

- 6 Transportation
- 7 Accommodations
- 8 Food and Beverage
- 9 Attractions and Entertainment
- 10 Destinations



*An integrated model of tourism.*

# CHAPTER 6

## Transportation

*For my part, I travel not to go anywhere, but to go. I travel for travel's sake.  
The great affair is to move.*

—ROBERT LOUIS STEVENSON

### LEARNING OBJECTIVES

**After you have read this chapter, you should be able to:**

1. Explain the importance of transportation to the tourism industry.
2. Identify and describe the major components of the tourism transportation system.
3. Explain the differences between passenger railroad operations within and outside the United States.
4. Explain the importance of automobiles and motorcoaches to the tourism transportation system.
5. Describe the role and importance of water transportation in the movement of travelers.
6. Describe how airlines operate in a deregulated and competitive environment.

### CHAPTER OUTLINE

#### The Graduation Gift

#### Introduction

#### Surface Transportation

Plying the Waves

Riding the Rails

#### Canada and the United States Follow Similar Tracks for Rail Service

#### Asian and European Rail Service Blazes Ahead

#### Scenic Railroads

#### Cruising the Highways and Byways

Automobiles

Motorcoaches

#### Important Transportation Links

#### Soaring Through the Skies

Operating in a Deregulated Environment

Decoding the Language of the Airline World

Airports

#### Summary

#### You Decide

#### Net Tour

#### Discussion Questions

#### Applying the Concepts

#### Glossary

#### References



## The Graduation Gift

When Shawna opened the envelope at her graduation party, it seemed too good to be true: a trip to Europe! Her grandparents had often discussed the benefits of travel and encouraged Shawna to travel to learn more about the world around her. They had taken Shawna with them on some of their journeys and she had also traveled with her parents on summer vacations and business trips. These trips had allowed her to see some beautiful and exciting places, but now she was going to faraway places to do things she had only dreamed about.

After the excitement of the graduation party was over, Shawna settled down to carefully read the letter her grandparents had written describing their travel gift. They were going to buy her a round-trip airline ticket from her home in Montgomery, Alabama, to her choice of either London or Paris. They also were going to give her the money to buy a Eurailpass and her choice of a ticket to travel on the Eurostar through the Chunnel between London and Paris or a ticket on one of the ferries that cross the English Channel. In addition, they had included a check for \$1,000 to help pay for some of her other expenses.

Shawna knew it was late, but she couldn't wait to call her grandparents and thank them for the gift. When she asked them what airline to call and which one of the channel-crossing options to take, they simply told her that the experiences to be gained from planning her travels were part of the gift. With this in mind, Shawna immediately hopped on the Internet and then contacted Derik, her mother's travel agent, the next day for help in designing her itinerary.

During her first meeting with Derik, she learned that she would be using many different types of transportation while on her trip. She could begin by driving, riding a bus, or flying on a small commuter airline to Atlanta. Once there, she could fly directly to either London or Paris. After arriving in Europe, Shawna would have several choices of air, rail, and bus transportation. In addition, there was still the question of how she should cross the English Channel between England and France. Derik answered all of Shawna's questions, but his answers led her to ask only more questions. Shawna soon began to realize that there were several ways to meet her travel needs and she wanted to know more. Provided with a whole new understanding of transportation options, she and Derik began to discuss and plan the details of her upcoming trip. Her grandparents were right; planning her trip was a learning experience.



*Ferries form one of the many links in the transportation system.* Photo by Thomas Sun

## Introduction

Although we may not think about it, the tourism industry would cease to function without an efficient and effective transportation system; trains, automobiles, and airplanes are just a few of the more obvious parts of this system. The importance of all of these transportation modes to both travelers and tourism suppliers was vividly demonstrated as the air transportation system was shut down in the United States following the September 11, 2001, terrorist attacks and when European travel was grounded for days due to the Icelandic volcano eruptions in 2010. Every segment of the tourism system was adversely affected.

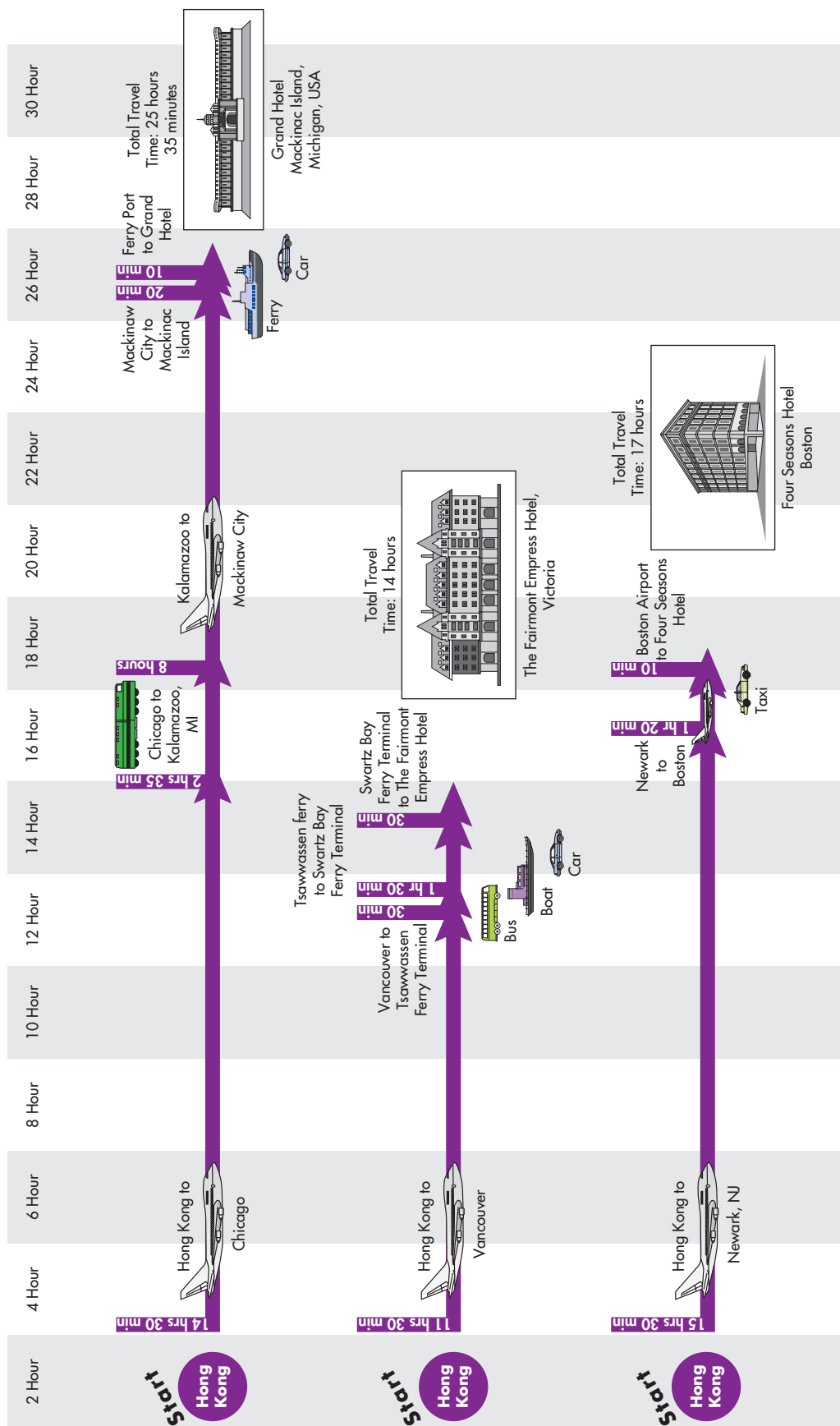
There are many other modes of transportation in addition to planes, trains, and automobiles from which to choose. The components of this system can be conveniently classified and placed into two broad categories: surface (land and water) and air. As Figure 6.1 shows, transportation is often **intermodal**, with travelers relying on several different modes of transportation to reach their final destinations.

Intermodal transportation options can be found throughout the transportation system, but airports provide a focused glimpse into the importance of all transportation modes. Providing a variety of transportation connection options to feed passengers into airports, intermodality has become increasingly important as air traffic volumes have soared. While the present pattern is for North Americans to use cars, Europeans to use trains, and Asians to use buses, expanding the options for ingress in and egress out of airports will be required to meet future demand. By expanding intermodal options, airport managers can increase the catchment areas, enable growth, alleviate congestion, address environmental concerns, and provide customers with “seamless” transportation options. To see a good example of where these best practices in intermodal transportation have been put to work, take a look at the Frankfurt airport.<sup>1</sup>

How did this system of interconnectivity develop and how does it function today? Modes of transportation evolved slowly until the 19th and 20th centuries; then, as Table 6.1 shows, things really began to happen. By this time, railways criss-crossed the continents of Europe and North America; gasoline-powered cars became a common sight as highways were developed; steamships plied the waters across major trade routes; and the possibility of flight became a reality. Transportation has now become so efficient that we often think of travel in terms of time rather than distance. For an example of different transportation modes and travel times between pair cities, see Table 6.2.

**Table 6.1** Trends in Travel Time

Year	Method	Elapsed Time in Days
Around the World		
1889	Sailing ship—Nellie Bly	72.00
1924	U.S. Army aircraft	35.00
1929	Graf Zeppelin dirigible	30.00
1947	Pan American Airways Constellation	4.00
2006	Suborbital passenger spacecraft	0.50
Across the Atlantic (New York to London)		
1905	Sailing ship—Atlantic	12.00
1938	Steamship—Queen Mary	4.00
2005	QE2	6.00

**FIGURE 6.1**

Intermodal transportation and times.

**Table 6.2** Comparison of Travel Times between Washington, D.C., and Chicago, Illinois

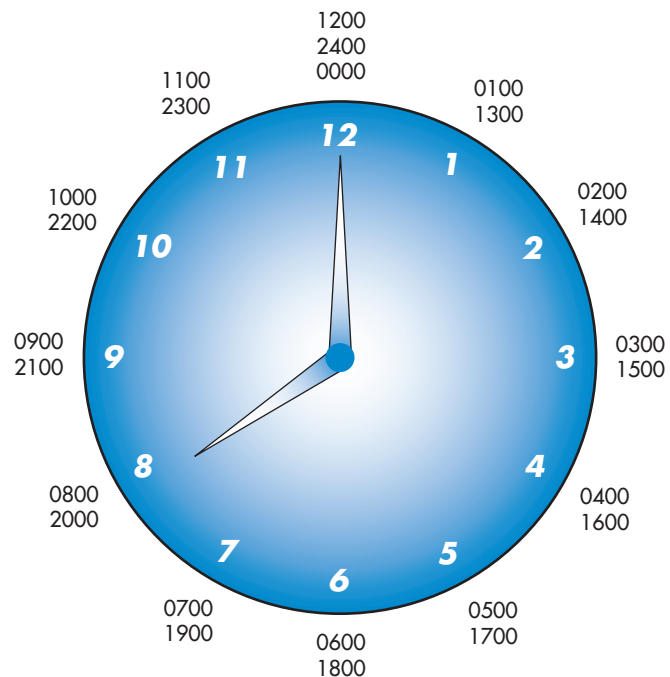
Mode of Transportation	Approximate Travel Times (hr)
Airplane	1.5
Bus	19
Car	12
Train	17

*Note:* The above time estimates factor in check-in lead times and transportation to terminals.

*Source:* Based on “The deals on the bus” in *USA Today*, January 18, 2008.

**FIGURE 6.2**

The 24-hour clock.



The international standard for transportation timetables is the 24-hour clock. Figure 6.2 presents a visual example of the 24-hour clock. Notice that by using this style of timekeeping, there is no need for either A.M. or P.M. designations.

## Surface Transportation

Just like modern travelers, early travelers probably used both land and water. Modern modes of surface transportation were ushered in with the development of sailing vessels and then passenger railroads, and grew with increased personal ownership of automobiles, availability of rental vehicles, and the convenience of motorcoach services. We will briefly examine important historical developments as well as key issues associated with each of these modes of transportation.

### Plying the Waves

The power of the wind behind a good sail moved passengers across countless miles of water to many locations for business and pleasure. However, no matter how sleek or fast

these ships, they were always subject to the vagaries of the wind. With a favorable wind, it truly was “smooth sailing.” But when the wind died and the sails went slack, there was little for passengers and crew to do other than sit and wait for the wind to return.

With the introduction of steam power, regularly scheduled passenger service on primary water routes became a reality. Like most of the early technological innovations in transportation, steam-powered ships originated in Europe. In 1838, two passenger ships (the *Sirus* and the *Great Western*) crossed the Atlantic from Ireland and Great Britain to the United States. By today’s standards, and even compared with the speed of clipper ships, their 19- and 15-day crossings were slow. But they ushered in a new age of dependable scheduled service whereby travelers had some assurance that they would arrive at their destinations on time.<sup>2</sup>

Transatlantic passenger traffic grew rapidly until 1957 when another technological innovation—the jet engine—heralded the demise of **point-to-point** ocean crossings. Although Cunard Line still runs scheduled routes between Southampton, England, and New York City, and some cruise ships at times carry passengers on point-to-point crossings, ocean-going transportation is now limited. Long-distance cruise ship crossings are typically restricted to **repositioning cruises**, in which cruise ships are being moved from one location to another. For example, a cruise line will move ships from the Caribbean to the Mediterranean to take advantage of seasonal changes and passenger demands. Cruise ships are such a significant sector of the tourism industry that we will take an in-depth look at cruising in Chapter 10.

Mention water transportation, and most people think about cruise ships or a brief hop on a ferry when they cross a river, lake, or other short distance on a waterway. Water transportation, especially ferry services, is still an important link in the total transportation system. Passenger ferries have evolved over time and have become more sophisticated, offering a wide range of services. They are now designed to do more than just carry passengers and vehicles. Some ferries also offer sleeping cabins, restaurants, lounges, casinos, movie theaters, shops, and child-care services.

Passenger ferry routes have been designed to tie in with rail and road systems to facilitate intermodal transportation. These routes create important links in the transportation system for many residents and visitors in North American locations such as Alaska, British Columbia, Newfoundland, Nova Scotia, and Washington State. British Columbia, for example, has an extensive system of ferries calling on 42 coastal ports.<sup>3</sup> For the millions of people who travel throughout Asia and the European community, water transportation is not a luxury but a necessity and a key driver of tourism.

Technological advances in ferry design and construction have increased both speeds and operating efficiencies. These high-speed ferries are particularly noticeable in high-traffic tourist areas such as the Bahamas, Catalina Island, Hong Kong, Tasmania, and along the Massachusetts coastline. These locations are all served by high-speed catamarans that can transport passengers at speeds of up to 42 miles per hour.

## Riding the Rails

Passenger rail service had its origins in Europe. The first railway service for passengers was inaugurated in Europe on September 17, 1825, when the Stockton and Darlington Railway began offering regularly scheduled service in England. Passenger rail service arrived in North America in 1829, when the South Carolina and Canal Railroad began carrying passengers between Charleston, South Carolina, and Hamburg, Georgia, with steam-powered locomotives. Transcontinental service in the United States began in 1869 and in Canada in 1885.

Long-distance rail travel was given a boost in the United States when George Pullman developed the Pullman coach, with sleeping facilities for overnight travel. The addition of dining cars and legitimate food and lodging facilities pioneered by Fred Harvey heralded

the golden age of passenger railroad service in the United States. Dissatisfied with poor food and service, Harvey arranged in 1875 to provide food service for the Atchison, Topeka, and Santa Fe Railroad at its Topeka, Kansas, depot. He became so well known for quality and service that the railroad eventually awarded him all of its dining car services.

Passenger rail service flourished and was an important form of domestic transportation in Canada and the United States until the 1940s. In fact, railroad transportation was so prominent that lodging facilities were developed at major destinations along the rail lines such as Banff, Alberta, Canada, and White Sulphur Springs, West Virginia. However, the forces of change eventually led to the decline of passenger rail service in North America. First, automobile ownership as well as the number of miles traveled by car increased. Then, the Trans-Canada Highway Act of 1949 and the U.S. Federal Aid Highway Act of 1956 enabled provinces and states to begin constructing major highway systems. Both of these factors facilitated long-distance automobile travel. Second, domestic jet passenger service became available. Third, the railroads did not adequately maintain their tracks or customer services. The final blow to U.S. passenger rail service came in 1967 when the post office announced that it would no longer ship mail by train. Without this government subsidy, passenger services became unprofitable, and the railroads began to concentrate on moving freight.

## Canada and the United States Follow Similar Tracks for Rail Service

Rail passenger service followed similar tracks of decline in both Canada and the United States until public interest in salvaging long-distance passenger train service resulted in government intervention. **Amtrak** was formed in 1971 and **VIA Rail Canada** in 1978 to reduce the number of routes and points served while upgrading the remaining passenger rail systems. Although in different countries, there are many similarities between these two passenger-rail-operating companies.

Amtrak is the marketing name for the National Railroad Passenger Corporation, which is a combination of the passenger rail services of U.S. railroads. Amtrak trains now serve 45 states, with stops in hundreds of communities. (Note: The popular Alaska Railroad is not part of the Amtrak system.) VIA Rail Canada is the marketing name for Canada's passenger train network, which links over 400 communities throughout the country. Although they both receive governmental financial support, neither Amtrak nor VIA Rail Canada is a government agency; they are corporations structured and managed like other large businesses.

Passenger rail service in Canada and the United States, where passenger and freight trains share the same rails, still faces an uncertain future and will probably continue to rely on some form of government subsidies. However, with increased urban growth and new airports being constructed farther and farther from city centers, rail service may grow in importance. Because train terminals were originally built in the center of cities, they now provide a convenient central location and, in many cases, faster and easier transportation in crowded corridors. This is especially true between major cities in close proximity to each other, such as Montreal and Toronto, New York and Boston, Kansas City and St. Louis, and Los Angeles and San Francisco.

Recent improvements in Amtrak service can be attributed to several factors: introduction of improved service and scheduling in the high-traffic Northeast corridors, aggressive marketing and packaging of vacation trips including rail passes (All Aboard America Fares) and fly/rail packages, membership in the Airlines Reporting Corporation (ARC), and listings on airline computer reservation systems. Amtrak service has been further enhanced by the addition of high-speed trains (top speeds of 150 mph) on major passenger routes and routes that serve as





*Passenger rail service is an important transportation mode in many countries.* Photo by Cathy Hsu

feeders to major hub airports. In fact, in some city pairs, transit time is shorter via Amtrak service than by air service.

Similar steps such as rail passes ([CANRAILPASS](#)), fly/drive packages, special tour packages, and lodging partnerships have been taken by VIA Rail Canada to enhance customer service and ridership.

## Asian and European Rail Service Blazes Ahead

Although train travel has declined in Canada and the United States, it has continued to be an important mode of intercity transportation in Asia and Europe. At present, the countries with the largest number of train passengers are China, Germany, India, and Japan. Heavy population concentrations and attention to roadbeds and tracks dedicated solely to passenger traffic have led to the development of high-speed rail service. China, Japan, Korea, France, Great Britain, Italy, Germany, Sweden, and Spain are just a few of the countries where passengers can travel by train at speeds averaging up to 220 miles per hour (350 kilometers per hour). The technology for high-speed rail travel is continually evolving, and trains that can travel at speeds of up to 270 miles per hour are being put into service.<sup>4</sup> The popularity of high-speed rail in Taiwan has actually caused the bankruptcy of several domestic airlines; and the surviving airlines no longer offer routes that duplicate the service of the rail. The rail service between Taipei (in the North) and Kaohsiung (in the South) takes about 90 minutes at a cost of \$50, whereas the flight time was about 60 minutes at a cost of \$100 while it was in operation.

Between major population centers within European countries, train travel has also become so fast and efficient that it is often more convenient and less expensive than travel by plane when travel to the airport, check-in, and baggage handling times are considered.<sup>5</sup> By comparison rail service in Canada and the United States is more expensive and very difficult to piece together for long distance journeys. Examples in Table 6.3 compare the competitive nature of train and air travel between key European cities.

**Table 6.3** Comparison of Train and Air Travel Times between Key European Cities

	By Rail	By Air
London to Edinburgh	4 hr	1 hr 15 min
Paris to Marseilles	4 hr 15 min	1 hr 20 min
Madrid to Seville	3 hr 30 min	55 min
Hamburg to Munich	6 hr	1 hr 15 min
Rome to Milan	4 hr	1 hr 5 min

One of the most exciting developments in rail transportation was the inauguration of high-speed passenger rail service between London, England, and Paris, France. The Eurostar, which travels through the channel tunnel or “Chunnel,” allows passengers to make the entire trip in just less than two hours at speed of close to 200 mph, cutting the time in half when compared with ferry crossings.

Passenger rail service in Europe has been further enhanced through expansion of the [Eurailpass](#). A number of European countries—Austria, Belgium, Denmark, France, West Germany, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, and Switzerland—introduced the first Eurailpass in 1959. Finland, Greece, and Ireland were added later. With the fall of the Berlin Wall and the end of the Cold War, the pass became valid throughout the entire German Republic as well as the Czech Republic and Hungary. Trains have become so significant in Europe that they move more than 40 times more passengers every day than in the United States.<sup>6</sup>

The Eurailpass is used as a marketing tool to attract international visitors from outside the European community because it is available only to non-European tourists. Pass holders are allowed unlimited travel for varying periods of time throughout Western Europe, with the exception of Great Britain. Recognizing the importance of rail travel to their total tourism package, individual countries such as Great Britain (BritRail pass), Germany (German Railpass), Switzerland (Swiss Pass), Spain (Spain Railpass), and Greece (Greek Railpass) are providing similar services.

Most countries consider passenger rail transportation to be of vital national importance and continue to retain government control. Therefore, information on operating results (other than ridership) and the financial condition of most passenger railroads is not available. This may all change in the future as a trend toward private ownership and reduced subsidies has emerged in European countries, especially Great Britain and Germany. Managers there find themselves venturing into unfamiliar territory, requiring marketing skills to maintain and increase ridership and financial skills to attract the necessary capital to maintain and improve service quality while controlling costs.

## Scenic Railroads

In addition to the ready availability of passenger rail service for basic transportation in most developed countries, there are several specialty trains with particular appeal to tourists. The Orient Express is without a doubt the most famous of all luxurious or scenic trains. With its magnificently restored cars, it runs from London, England, to Istanbul, Turkey. Another classic train, the Blue Train, can be found traveling between Cape Town and Johannesburg, South Africa. With its gold-tinted windows and fine dining, the Blue Train is also renowned for its mystique and romanticism. China’s Sky Train carries passengers across the Tibetan Plateau from Xining, China, to Lhasa, Tibet, using three locomotives to cross the 16,640 foot Tangula Pass.<sup>7</sup> Other trains such as the Copper Canyon in Mexico, the Palace on Wheels in India, and the

**Table 6.4** Exploring the World of Heritage Railways and Railroads

Alishan Forest Railway	Taiwan
Coral Coast Railway	Fiji
Durango & Silverton Narrow Gauge Railroad	United States
Kalka-Shimla Railway	India
Kettle Valley Steam Railroad	Canada
La Trochita	Argentina
Moka Railway	Japan
North Yorkshire Moors Railway	United Kingdom
Puffing Billy Railway	Australia
Talylllyn Railway	Wales

Indian-Pacific in Australia are just a few of the many specialty trains that can be found throughout the world.

In addition to these long-haul scenic trains, you will find many historic trains that have been preserved for tourist enjoyment. Although many of these trains may be considered to be attractions (see Chapter 9), these vintage trains carry an amazing number of tourists on trips of nostalgia each year.

Depending on where in the world these rail lines are located, they may also be called tourist railways or heritage railways. Everything from narrow gauge and cog lines to steam and electrified locomotives await train buffs around the globe. Just consider the geographic diversity of possibilities shown in Table 6.4.

## Cruising the Highways and Byways

The term *highway* came into use as roads were built up from the paths they followed to raise them out of the mud and make them usable on a year-round basis. Innovations in road construction that were pioneered by the French and English soon spread throughout the world.<sup>1</sup> Road construction has continued to progress and now plays a central role in the transportation systems of all developed countries. For example, the first multilane highway, the Autobahn, built in Germany during the 1930s, still serves as a vital link in that country's transportation system. These improvements in road systems allowed travelers to move from horses and carts and stagecoaches to automobiles and motorcoaches.

### Automobiles

Nowhere in the world is the love affair with the automobile stronger than in North America. Much of the credit for this attraction goes to the pioneering genius of Henry Ford, who ushered in the age of mass automobile travel with his famous Model T. Between 1908 and 1923, 15 million of these affordable cars were produced. The car is now more than simply transportation for most Americans; it is a symbol of freedom and individualized lifestyles.

The availability of affordable automobiles and an expansive highway system have made automobile travel the most popular form of transportation in Canada and the United States. As Table 6.5 shows, the vast majority of domestic trips in the United States were taken over the highways. In addition, 84% of all overnight weekend travelers drove to their destinations.

Both Canada and the United States have focused government attention and resources on the development of highway systems rather than rail systems. The Trans-Canada Highway spans 4,860 miles between Victoria, Vancouver Island, British Columbia, and St. John's, Newfoundland. The interstate highway system in the United States has resulted in an intricate web of 42,800 miles of divided highways connecting

**Table 6.5** Modes of Transportation for U.S. Trips and Trip Destinations

Auto	90%
Airplane	7%
Bus	2%
Train	1%

*Notes:* 98% of trips to destinations within United States.

62% of trips to destinations within home state.

*Sources:* National Household Travel Survey, 2001–2002; NPTS Brief, U. S. Department of Transportation, Federal Highway Administration, March, 2006.

every major city in the country. This system is truly remarkable because it accounts for only 1% of all roads in the United States but carries over 20% of all highway traffic.

Why do travelers rely on their personal motor vehicles for so many of their trips? Reasons vary but include the relatively inexpensive cost of vehicle travel compared with that of other modes, especially for families. In addition, cars, trucks, and recreational vehicles offer the convenience of having a vehicle at the destination, the ability to alter the route and pace, and the opportunity to explore new places “up close.”

Supporting all of these over-the-road travelers is the American Automobile Association, commonly known as AAA. The association is a network of 86 independent auto clubs in the United States and Canada. AAA boasts 47 million members in North America and is affiliated with over 100 million members in 120 countries through its reciprocal agreements with 212 auto clubs throughout the world. Services provided by AAA to its members include emergency road service, travel insurance, access to professionally trained travel agents and counselors, trip routing and mapping services, and assistance with travel documents.

Although automobiles may be the desired form of personal transportation in the United States, less than 20% of the population has ever rented a car. Growth in the rental car business has historically paralleled or exceeded the growth in air travel, with almost two-thirds of car rental revenues being derived from airline passengers.<sup>8</sup>

This growth has been dominated by a few large companies as this industry segment has gone through a significant consolidation period. Enterprise (with the acquisition of Vanguard, the parent company of Alamo and National) has the largest rental car fleet, followed by Hertz, and the combination of Avis and Budget into the Avis Budget Group, respectively. The primary users of rental cars are business travelers, who rent over 75% of all vehicles, but car rental companies are beginning to turn some of their attention to leisure travelers. Hertz and Enterprise serve to highlight the differences in marketing strategies among the rental car companies. Hertz controls the largest market share at most major airports whereas Enterprise has chosen to service a broader range of customers by delivering cars directly to customers from less expensive off-airport sites.<sup>9</sup>

The range of variables managers must deal with in this industry is staggering. To deploy fleets of cars ranging in average age from 8 to 12 months across broad geographic areas and achieve maximum **fleet utilization**, managers must anticipate a wide variety of customer demands, including car types, rental periods, insurance, fuel options, and pickup and return locations. Like other tourism service suppliers, rental car companies have a slim profit margin. For example, “the profit margin on a \$50 rental is around \$5” (p. 1).<sup>10</sup> Just think about what happens to that margin if a renter brings the car back with less than a full tank of gas and pays the often unobserved and inflated price charged for refueling.

Logistics also play a key role in successful car rental operations in getting the right cars to the right place at the right time. Recent software developments provide the necessary information for employees and managers to know when to refuse a short-term rental based on the probability that the same vehicle can be rented for a longer term to a different customer.<sup>7</sup> Still, cars must be moved to meet seasonal demand, creating inexpensive repositioning rentals as fleets must be moved from high demand areas

## FYI RENTING A CAR

Although renting cars in the United States is fairly straightforward, except for those under 25 years of age, renting outside the United States can be a more complicated adventure. There can be a variety of charges added to the basic cost of rental, including mileage, insurance, drop-off charges, and airport

fees. The list goes on, so it pays to ask questions and shop around as well as to use the services of your travel agent.

Check the restrictions on your credit card coverage before you rent. Most credit cards provide supplemental collision-damage waiver or loss-damage waiver (CDW/LDW) coverage, but

only for damages not already covered by your personal automobile or other insurance. If you do decide to rent a car as you travel abroad, take the time to get an international driving permit.

such as Florida in the Spring to northern locations later. Can economies of scale make a difference? The answer is yes, as demonstrated by the dominance of Enterprise and the Avis Budget Group in the business and leisure markets shown in Table 6.6.

In this highly competitive industry, price is important, but it is often the little things, such as how quickly you get your car, that make a difference.<sup>11</sup> Surveys show that customers want to cut as many hassles out of rental car returns as possible. Car rental companies are responding to these requests by enhancing their services to include valet delivery and parking services to avoid shuttle buses, equipping cars with onboard computerized navigation systems, providing drop boxes for the return of keys and rental forms, and equipping service personnel with handheld computers to complete rental transactions at the point of return.<sup>12</sup>

**Table 6.6** Growth in Major Business and Leisure Rental Car Suppliers in the United States (2010–2015)

Company	Cars in Service 2010	Cars in Service 2015	Number of Locations 2010	Number of Locations 2015
Enterprise Holdings (Includes Alamo Rent A Car, Enterprise Rent-A-Car, National Car Rental)	850,689	1,166,828	6,187	6,250
Hertz (Includes Advantage Rent-A-Car, Dollar, Thrifty, Firefly)	290,000	499,100	2,300	5,410
Avis Budget Group (Includes Payless not Zipcar)	270,000	365,000	2,100	3,250
Dollar Thrifty Automotive Group	108,000	See Hertz	463	See Hertz

*Sources:* Based on 2010 U.S. Car Rental Market. Retrieved on March 6, 2012. Available at: [http://www.autorentalnews.com/fc\\_resources/ARN-2010marketdata.pdf](http://www.autorentalnews.com/fc_resources/ARN-2010marketdata.pdf); and 2015 Car Rental Market Retrieved on May 16, 2016. Available at: <http://www.autorentalnews.com/fileviewer/2229.aspx>.



The rental transportation options in some tourism areas have diversified to include many alternatives other than rental cars. For example, in Kitakyushu City, Japan, users can choose from ultra-lightweight vehicles (ULVs), electric-assisted bicycles, electric scooters, and electric four-wheel carts. When consumers have options for rentals in short transportation situations such as this, which option do they chose? It was not the car, but the ULV.<sup>13</sup>

## Motorcoaches

Motorcoaches have come a long way since their predecessor (stagecoaches) bounced across the countryside. There are now two primary categories of motorcoach (often called bus) transportation—scheduled intercity travel and charter/tour groups. Intercity bus travel, like rail travel, has continued to command less and less of the scheduled travel market in the United States. As with railroads, the importance of scheduled bus service in the United States peaked in the 1940s, and the decline continues today. In 1980, bus travel accounted for 12% of all interstate travel, but it now accounts for only about 6% of that market segment. Although the number of passengers utilizing interstate buses has continued a gradual downward trend, this mode of transportation still provides a vital link in domestic and international transportation systems.

In the United States, schedules, fares, and routes of intercity buses were closely regulated by the Interstate Commerce Commission (ICC) until passage of the Bus Regulatory Reform Act of 1982, which eliminated most regulations except those pertaining to safety. In this deregulated environment, intercity bus lines have continued to consolidate and pare their schedules and now focus primarily on trips of less than 250 miles. Greyhound Lines is now the dominant intercity bus service provider in North America carrying over 20,000 passengers daily in Canada and the United States. Although the primary market segment served remains visiting friends and relatives, several diverse target markets, including lower-income groups and riders under the age of 24 or over the age of 65, are proving to be fertile ground for future growth.

As Greyhound continues to rationalize its routes, many rural communities have found themselves without bus services and miles away from any rail or air connections. Luckily, many of these abandoned routes have been picked up by regional carriers.



*Motorcoaches provide stress-free travel for group tours.* Photo by Cathy Hsu



The regional carriers often rely on government subsidies to meet expenses. Through interline agreements passengers are able to buy one ticket and transfer between multiple motorcoach carriers for long distance trips.<sup>14</sup>

While intercity bus travel is common in many parts of the world, for many North Americans it is considered to be demeaning. This move away from bus travel occurred in North America in the mid-20th century as a result of rising living standards, suburban growth and sprawl, growth in airline capacity, and increased car production. All of these factors came together to change the demand for scheduled intercity bus service. It became a transportation choice used mainly by poor whites, African Americans, Hispanics, recent immigrant women, and low-income males who could not afford car ownership.<sup>15</sup>

New life is being breathed into the North American market by upgrades at Greyhound and a variety of start-up carriers serving paired cities like New York–Washington, D.C., Los Angeles–San Francisco, and Chicago–Milwaukee. Using concepts such as yield management and hub-and-spoke systems, bus companies are finding new niches and growth opportunities.<sup>16</sup>

Although intercity bus travel in the United States has declined, motorcoach usage in general has increased owing to its popularity among tour and charter operators because of flexibility and economy of operation. In addition, intercity bus travel remains an attractive alternative to rail travel in many countries with high population densities.

Additional growth opportunities for motorcoach travel can be found in the mature traveler market segment. During the past two decades, the first wave of baby boomers began to enter their senior years, making them a prime target for the domestic motorcoach market. Their primary considerations in selecting motorcoach tours will be service, quality, and comfort. Motorcoach executives predict that health, spa, special event, entertainment, and golf and ski packages will be the primary tours sought by these demanding groups in the future.<sup>17</sup>

As profiles of individuals using motorcoaches have changed, so have the motorcoaches. “Seats are wider. Views are better. There’s stereo music and often an integrated video system showing the latest movies, just like the airlines. Increasingly, there’s a hot beverage service or even a full galley with a microwave oven” (p. 9).<sup>18</sup> The standard motorcoach has grown from 40 feet to as much as 45 feet in length, and passenger capacity has increased from 47 to 55. Motorcoach operators such as Gray Line highlight their ability to provide a wide range of ground transportation services especially suited to motorcoaches, from sight-seeing tours and charter services to airport services on six continents at 150 destinations.

Motorcoach operations, whether intercity (bus) or charter (tour operators), have many of the same operational concerns that face every participant in the tourism industry. Because operators in this industry are privately owned, financial data are not available.

Competition and government involvement in intercity bus transportation varies widely outside the United States. In some countries, such as Spain, bus transportation is more important than rail transportation; in other countries, such as Iceland, there is no train service, only bus service; and in Japan, the Japan Rail Pass includes unlimited travel on the bus as well as the train. Therefore, because of the country-specific nature of intercity bus transportation, we will leave the investigation of availability and operations in specific geographic locations up to your exploration.

Motorcoaches usually serve many more locations than trains, which are confined to specific routes because of their fixed tracks. They are frequently less expensive to ride and can often take you to places not served by trains, although they are generally slower. However, there are several exceptions to this general rule. In southern European countries, including Portugal, Greece, Spain, and Turkey, bus service may be faster but more expensive than trains.<sup>19</sup> The long-distance bus networks of Great Britain, Ireland, Portugal, Morocco, Greece, Turkey, and the Czech Republic are more extensive, more efficient, and often more comfortable than trains. The Eurobus programs provide direct competition to train-pass programs, with two months of unlimited travel on buses

accompanied by an English-speaking driver and guide. Destinations in continental Europe include Paris, Amsterdam, Cologne, Prague, Munich, Venice, Rome, and Milan. As with rail passes, passengers get on and off at their leisure.<sup>20</sup> As researchers studied intercity bus travel in the United States and Germany, they determined that the spatial distribution (distances) between cities was a key determinant in the supply of intercity bus services.<sup>21</sup>

In most major tourism active metropolitan areas, such as Paris, London, Sydney, and Shanghai, city tour buses are available to take visitors around major tourist attractions within the city. Passengers can purchase a single day or multi-day pass and “hop on, hop off” as often as they wish. These bus tours are often known as loop tours; because the buses drive around town in a loop, provide a quick and convenient way to get an overview of a city.

## Important Transportation Links

The final link in the surface transportation system is composed of many modes such as subways, trolleys, intracity buses, water taxis, and light-rail systems. Although each of these forms of transportation is important to the overall transportation system, we will not examine them in this book because they are used primarily for daily commuting to and from work and do not fall within our definition of tourism. However, they do fill an important transportation need for many individuals who do not want to be burdened with automobiles as they travel.

If short distances are involved and/or individuals do not need a car while at their destination, then they may rely on taxi, limousine, ride-sharing, or shuttle services. Taxis fill an important transportation function by efficiently moving large numbers of people within cities, especially in crowded urban areas, as well as to and from airports and railway stations. One of the most significant changes in the tourism industry has been the intermodal tour that combines motorcoach, air travel, railroad, and water travel.<sup>22</sup>

### FYI CONSIDER YOUR OPTIONS

Traveling from Boston to New York? Your options are numerous!

<b>Luxury bus</b>	Called the LimoLiner, this luxury bus costs about \$178 round-trip, takes 4 hours, and features such amenities as reclining leather seats, free sandwiches, and movies.
<b>Bus</b>	Greyhound offers round-trip express service for \$70 with a trip time of about 4 hours and 20 minutes. Standard motorcoach amenities are offered.
<b>Train</b>	Amtrak provides round-trip service for around \$140, and the rail journey takes about 4 hours and 15 minutes. Seats offer more legroom and you can get up and walk around. Café cars sell snacks and drinks. No reservations are required. Just show up and buy a ticket.
<b>High-speed train</b>	Amtrak’s Acela is priced between \$220 and \$280 round-trip, and the special train shaves nearly an hour from the duration of the regular train’s trip. Amenities include extra legroom in comfy seats and power outlets for computers, phones, and DVD players. Foods offered are also a cut above its traditional counterpart.
<b>Airplane</b>	Several airlines offer shuttles between cities. Advance-purchase tickets can often be had for about \$120, whereas walk-up fares may be as high as \$360. But the flight is short (about 1 hour). U.S. Airways even offers a special expedited security check so passengers can arrive just 20 minutes before take-off.

Sources: Based on Limoliner. <http://www.limoliner.com/>  
 Greyhound. <https://www.greyhound.com/farefinder/step2.aspx?>  
 Amtrak’s Acela. <http://tickets.amtrak.com/itd/amtrak#>  
 Expedia. <http://www.expedia.com/Flights-Search>



*Visitors to Havana, Cuba will find that transportation comes in many forms.* Photo by Ron Hilliard

A highly valued transportation link for air travelers is transport to and from the air terminal. In 1983, SuperShuttle pioneered door-to-door ground transportation by offering shared ride vans for travel to the Los Angeles airport. Today, SuperShuttle provides service for over 20,000 air travelers a day. Reserving a ride on one of SuperShuttle's blue vans is as easy as picking up the phone or clicking on its website. Finally, more and more travelers are tapping into the convenience of ride-sharing services such as Uber, Lyft, and Didi through easy-to-use mobile apps.

## Soaring Through the Skies

The first scheduled passenger flight debuted in Europe on August 25, 1919, with a route between London and Paris, and jet passenger service was inaugurated on May 2, 1952, with a flight between London and Johannesburg, South Africa. However, in the United States, passenger service did not begin until April 17, 1926, with an inaugural 6.5-hour flight between Los Angeles and Salt Lake City. Domestic jet passenger service did not appear until 1958, with scheduled service between New York City and Miami.

With a long and meaningful history, domestic (U.S.) cooperation between airlines has been accomplished through the [Air Transport Association \(ATA\)](#) and international cooperation through the [International Air Transport Association \(IATA\)](#). Formed in 1936, ATA serves as a united voice for the airline segment of the tourism industry and provides a format for the discussion of safety and service issues and the promotion of technological advancements. IATA, which is composed of almost all major international airlines, was formed in 1919 and reorganized in 1945. Its purpose is to facilitate the movement of passengers and freight across a combination of route structures and international boundaries. Through these cooperative agreements, passengers are able to buy a single ticket based on one currency that is valid for travel throughout an air system that may involve many carriers and cross many national boundaries.

As with all tourism service providers, competition among airlines is intense. In an attempt to attract more customers and to develop brand loyalty, American Airlines

## FYI THE MARKETING POWER OF FREQUENT-FLIER MILES

Frequent fliers are finding some new ways to earn additional miles even when they are not in the air. Airlines are selling frequent-flier miles to just about any organization from banks and retailers to charities that are willing to buy them. Purchases can be made for about two cents per mile. The airlines gain added revenue and the purchasing organizations obtain attractive promotional incentives.

Source: In terminal decline. (2005, January 8). *Economist*, 374(8708), 14.

pioneered a frequent-flier marketing program in 1981. This program was soon copied by other major carriers as well as regional and low-cost carriers. Research into why consumers participate in frequent-flyer benefit programs found three perceived dimensions: recognition, convenience, and exploration. These benefits relate to multiple consumer motivations: utilitarian (convenience benefits), hedonic (exploration benefits), and symbolic (acknowledgment/recognition benefits).<sup>23</sup>

These programs have increased customer loyalty, with passengers often going out of their way or taking inconvenient flights to obtain frequent-flier miles, yet few actually cash in their mileage for awards.<sup>24</sup> Airlines are also partnering with a multitude of other organizations both inside and outside the tourism industry by offering miles for purchase to generate additional revenues, increase brand awareness, and heighten customer loyalty.

“Airlines have always had a love–hate relationship with their programs—they love the loyalty they instill in passengers, but they hate the fact that people collect so many miles. According to an estimate by *Inside Flyer* magazine, there’s a backlog of about eight trillion unredeemed frequent-flyer miles” (p. 18).<sup>25</sup> This accumulated mileage could be a financial liability for some airlines, where revenue-paying passengers could be displaced by non-revenue-paying frequent-flier awardees. Recognizing this potential liability, airlines have increased the number of miles required to obtain frequent-flier awards and restricted the number of seats available for these awards, especially on popular routes.

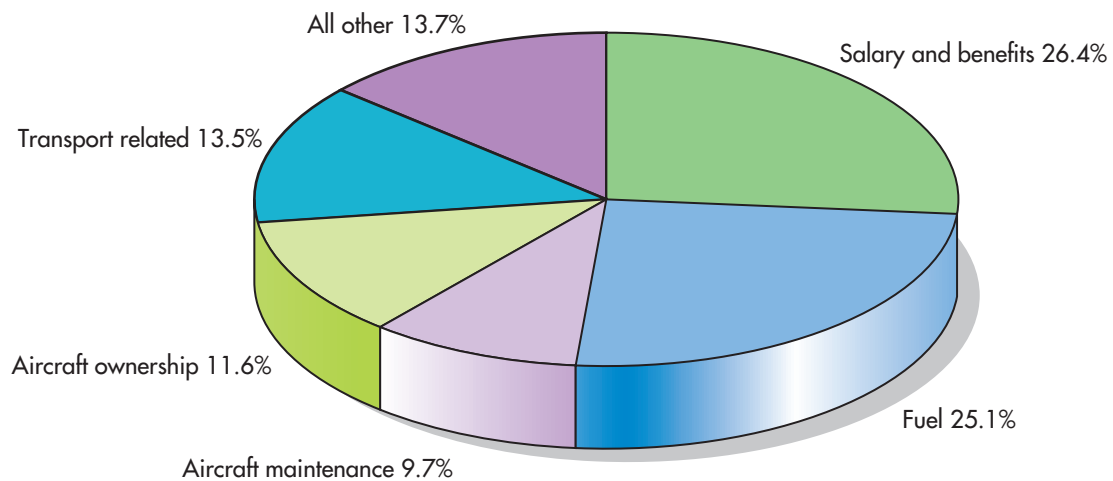
Airlines, like most other service providers in the tourism industry, operate on very thin profit margins. In fact, since the inception of commercial air service, airlines have collectively lost more money than they have ever made. Therefore, controlling costs and maximizing revenues are major concerns and absolute necessities for survival and profitability. As can be seen in Figure 6.3, the most significant expenses as a percentage of sales in the airline industry are operating costs and equipment. Because costs other than labor are difficult to control, airline companies attempt to maximize revenues. This can be accomplished by obtaining the highest possible load factor per revenue passenger mile on each flight.

In the United States, the leader in low-cost airlines, Southwest, has achieved what seems to be an amazing operational cost per seat mile flown of six cents. However, Air Asia has eclipsed this efficiency benchmark by flying its planes at a cost per seat mile of three cents.<sup>26</sup> Combining low cost with maximizing available seat miles (ASMs) has led to profitability for these select few carriers in an industry filled with competition that struggles even to achieve break-even.

## Operating in a Deregulated Environment

The Airline Deregulation Act of 1978 is still shaping the landscape for airlines in the United States. Prior to the passage of the Act:

1. Airlines did not compete on price.
2. Airlines wanting to begin services to new cities had to apply to the Civil Aeronautics Board (CAB).



Note: 2010 data are through June.

**FIGURE 6.3**

Domestic and International U.S. Airline industry share of operating expense. Source: U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, Office of Airline Information. *Air Carrier Financial Reports (Form 41 Financial Database)*, special tabulation, October 2010.

## TOURISM IN ACTION

### RAGBRAI

Talk about intermodal transportation! Look at a large group of tourists who gather in Iowa at the end of July each year and you will find people who have come from all over the world. Who are these intrepid travelers? Bicyclists! Once they arrive via planes, trains, automobiles, tour buses, and recreational vehicles, they quickly revert to an age-old mode of transportation: pedal power. Just imagine thousands of bicycle riders who throng to Iowa each year to participate in the Register's Annual Great Bicycle Ride Across Iowa.<sup>27</sup>

These riders soon get a firsthand, up-close lesson in Iowa geography. "The RAGBRAI route averages around 467 miles and is not necessarily flat. It begins somewhere along Iowa's western border on the Missouri River and ends along the eastern border on the Mississippi.... Eight Iowa Communities along the RAGBRAI route serve as 'host communities' for overnight stays."<sup>21</sup>

RAGBRAI began almost accidentally in 1973 when John Karras and Don Kaul, columnists for The *Des Moines Register*, decided to do a 6-day, cross-Iowa bike ride to rediscover the state's roots. Through a story in the paper, they issued an invitation for people to join them. To their astonishment, about 300 did.... Today, admission is by lottery with only 7,500 riders accepted out of the 10,000 who apply. Even so, organizers estimate that 9,000 cyclists participate, since many unregistered riders join in.... Thanks in part to RAGBRAI's success, big multi-day tours have boomed. Now cyclists can dip their wheels into an alphabet soup of cross-state trips: BRAN (Nebraska), BRAT (Tennessee), BRAG (Georgia), PALM (Michigan), RAM (Minnesota), RAIN (Indiana), CAM (Maryland), BAMMI (Illinois), NYRATS (New York), and so on (*Bicycle Touring*).

And it's not just the cyclists who converge on these events. Their support teams (mostly family and friends) create moving cities of recreational vehicles and tents that creep across the countryside and fill every motel room in sight, eating tens of thousands of meals and buying everything from necessities to souvenirs. Events like this and bicycle touring throughout the world highlight the economic benefits of recognizing the power of pedaling enthusiasts around the globe. No matter what your skill level, there is a bicycle tour to meet your needs. From rides like RAGBRAI to reliving the Tour de France, cycling organizers and tour companies have packaged something for everyone.

Sources: RAGBRAI XXIII. (1995, July 23–29). *Des Moines Register*; Martin, Scott. (1992). Iowa's rolling party turns 20. *Bicycle Touring*, 10(2); *Commerce Research*. (1992, Spring), pp. 5–8; Round and round. (2007, July 14). *Wall Street Journal*, p. R5.



3. Airlines had to apply to the CAB 90 days in advance and receive formal approval to discontinue service to a city.
4. Airlines were prohibited from entering the tour business.

The crafters of the Deregulation Act envisioned the creation of a freely competitive market that would provide needed air service more efficiently. The passage of this act may seem like ancient history, but even after 40 years, airlines are still grappling with this evolving competitive marketplace.

To facilitate the move to a competitive market, the CAB and its regulatory capacities were eliminated, and the **U.S. Department of Transportation (DOT)** assumed the responsibilities for overseeing operational issues such as the overselling of tickets, smoking on flights, and potentially deceptive advertising practices, as well as competitive concerns such as mergers and acquisitions. Air routes were made available to all carriers who could meet safety and service standards, and new carriers were encouraged to provide a variety of low-priced services. The **Federal Aviation Administration (FAA)** has responsibility for the safety of air transportation carriers.

Deregulation removed all the previously listed operating constraints that restricted airline operations. Pricing became very complex. Rather than a simple three-tier structure (economy, business, and first class), there are multiple prices, and airlines change these prices hundreds of thousands of times each day. Sometimes, very low prices on a particular route may be available for only a few minutes. All these changes are being made as airlines attempt to meet customer needs, maximize load factors, and increase revenues through their revenue management systems. Today, there is little to keep a carrier from entering a new city other than airport safety and capacity constraints.

Airlines may now function as tour operators, providing packaged tours directly to the public. In addition, they may own and operate travel agencies, and they may develop new methods of selling tickets other than directly and through the existing travel agency system. This latter change has resulted in satellite ticketing terminals that operate in a manner similar to automatic teller machines and other forms of electronic access, including ticketless travel.

Deregulation made the **hub-and-spoke system** the primary route pattern for **legacy carriers** throughout the world. Airlines select hubs near major metropolitan areas, where passenger, administrative, and maintenance activities can be concentrated and quickly rerouted to their final destinations. By designating primary hubs, airlines are able to funnel traffic into these centers to feed their **trunk routes** from smaller markets along **spoke routes**. This system allows the airlines to capitalize on **economies of scale** and match the size of the aircraft serving a market to the demand from that market. An example of a hub-and-spoke system is shown on the map in Figure 6.4.

**FIGURE 6.4**  
Hub-and-spoke system.



Regional/commuter airlines, which provide lift to the legacy carriers' hubs by flying shorter domestic passengers on spoke routes, typically operate on a **code-share** basis. In a code-share agreement, a regional/commuter airline does not sell its own tickets, but shares the same two-letter identification code of a major airline in the computer reservation system and usually paints its planes the same color.

The term *code* refers to the flight number that is used in flight schedules. Under a code-sharing agreement, participating airlines can present a common flight number for connecting flights. Although obviously and importantly this portrays a simple and seamless picture to the travel buyer, it is not the only benefit. Cooperating airlines also strive to synchronize their schedules, to maximize passenger transfers between connecting flights, and consolidate the cost of both airlines' flying the same route. Code sharing allows carriers who do not operate their own aircraft on a given route to gain exposure in the market through display of their flight numbers and the ability to offer those routes to their customer base.

Code-sharing agreements have also been established between airlines and rail lines. They involve some integration of both types of transport, for example, in finding the fastest connection, allowing exchange between an air ticket and a train ticket, or a step further, permitting an air ticket to be valid on the train, and so on. Examples of such code-sharing arrangements are Amtrak out of Newark Liberty International Airport in Newark, New Jersey; Deutsche Bahn out of Frankfurt International Airport in Frankfurt am Main, Germany (AIRail Service); and Swiss Rail out of Zurich International Airport in Zurich, Switzerland.

In theory, by utilizing the hub-and-spoke system, legacy carriers such as American and United are able to increase operating efficiency through scheduling arrivals and departures in **banks of flights**. Banking flights is the process of coordinating flight schedules to maximize the use of ground crews and equipment as waves of flights are scheduled to arrive and depart at very close to the same time. In addition, the shorter the period of time that an aircraft remains on the ground, the more time it can spend in the air earning money. Some regional/commuter airlines are able to turn their aircraft around or **push** them in 15 minutes or less, whereas major carriers may take as long as 45 minutes to do the same tasks.

Deregulation and the growth of passenger air service in general have created several potential problems. The hub-and-spoke system has created bottlenecks at hub airports and increased travel times. Traditionally, hub-and-spoke carriers would feed hub operations all at once during peak travel periods with short connect times so as to speed passengers to their final destinations. The management teams at airline companies are addressing these problems through the designation of secondary and **rolling hubs** and instituting more direct flights to pair cities. For example, rather than flying from Indianapolis to Chicago and then on to their final destination in St. Louis, passengers can fly directly from Indianapolis to St. Louis.

Service to secondary and feeder cities is improving as larger, more fuel-efficient regional jets (also called RJs) that can seat up to 110 passengers are being added to airline fleets. RJs are ideal for serving long, thin (limited number of passengers) routes from an airline's hub. Most of these smaller regional planes are being operated by code-share carriers.

With the addition of RJs to their fleets, many code-share carriers not only are flying routes to hubs, but also are flying more point-to-point routes in secondary markets. That means more service to cities that support small, 70- to 110-seat planes, not larger jets, as these smaller planes can operate at a much lower break-even point than larger planes that typically start with 170 seats.

Still, in order to maintain efficient operations and provide acceptable levels of customer service, viable airports must be able to support at least four departures a day with 100 seat plus capacity airplanes. Finding new efficiencies is critical to financial survival in an industry in which pricing has become transparent and consumer demand is driven by low price.

Rolling-hub operations have eliminated peak departure hours by more evenly spreading flights throughout the day, using more RJs, and ratcheting down legacy carrier operations. The effect for passengers is longer, more random connections, causing passengers longer layovers and total travel time, but allowing for lower fares. For hub-and-spoke operators, it means less expensive operations and the ability to meet consumer price demands. Low-fare airline operations, pioneered by Southwest Airlines, have focused their flight schedules on point-to-point systems. These systems fly directly between pair cities, avoiding the transfers involved in hub-and-spoke systems.

The Southwest Airlines model of operation is attracting a great deal of attention as airlines around the world, especially new entrants, attempt to mimic its success. From Ryanair in Europe and GoAir in India to WestJet serving multiple destinations in North America and AirAsia, carriers around the globe are drawn to an operating model that holds the possibility for profitability by slashing operating costs. Research has shown that these low-cost carriers can be successful in attracting customers, especially in developing markets, when they focus on generating customer satisfaction with both tangibles and responsiveness. Marketing strategies and service management policies focused on these dimension yield customer satisfaction, positive word-of-mouth communications, increased purchase intentions, and reduced complaining behaviors.<sup>28</sup>

## Decoding the Language of the Airline World

All participants in the tourism industry have their own particular set of terms they use to describe operating issues, but the airline industry has more than most. To understand the airline industry, it is important to be familiar with some of the more common terms.

1. Every airline has its own two-letter identification code. Examples of these codes for the largest airlines in the world are American Airlines (AA), Air Canada (AC), Air China (CA), British Airways (BA), Korean Air (KE), Lufthansa (LH), Qantas (QF), Singapore Airlines (SQ), and United Airlines (UA).
2. Every city with scheduled passenger service has its own three-letter **airport code** to identify the airport that is served. Examples of these airport codes are Seoul/Gimpo (GMP); New York/Kennedy International Airport (JFK); Orlando International, Florida (MCO); Hong Kong (HKG); Orly, Paris, France (ORY); Narita, Tokyo, Japan (NRT); and Toronto, Ontario, Canada (XYZ).
3. Every airline uses codes to identify class of service. Examples: First Class (F), Business Class Discounted (D), Business Class Premium (J), Business Class (C), Coach Economy Class (Y), Coach Economy Premium Class (W) (Q), and Advance Purchase Excursion (APEX).
4. Airline service is also classified as **nonstop**, **direct** or through, and **connecting**. Nonstop flights are from the point of origin to a destination with no intermediate stops. Direct or through flights are from the point of origin to a destination with one or more intermediate stops. Connecting flights require passengers to change planes to a connecting flight between the point of origin and final destination.
5. There are also several types of trips that passengers can book. Examples: **one-way**—a trip from origin to destination without a return to origin; **round-trip**—a trip from origin to destination with a return to origin; **circle-trip**—similar to a round-trip except that the outbound and the return trips follow different routes and possibly use different airlines; **open-jaw**—a round-trip that allows the passenger to utilize different points of origin or return.



*Free tourist shuttles provide convenience to visitors and encourage them to visit more attractions.* Photo by Cathy Hsu

## Airports

We can't leave our discussion of transportation without taking a look at **terminals**. Passengers pass through many different types of terminals during their journeys: whether rail, bus, car rental, ferry, cruise, or air. In fact, the number of travelers passing through terminals is staggering. For an idea of how big these volumes are, just think about the fact that over 255 million people passed through the world's three busiest airports; Atlanta, GA, Beijing, China and London, United Kingdom in 2014.<sup>29</sup>

At times, providing services to these potential customers may seem like an afterthought. Basic necessities such as restrooms and water fountains can be found in smaller terminals, and added amenities such as vending machines may be added as passenger volumes increase. With more traffic comes more services and **concessions**; limited service food options, news-stands and gift shops, then bars, restaurants, food courts, expanded shopping, airline clubs, and duty free. Then, as volumes grow into the millions, services found in many destinations appear such as spas, hotels, and children's playgrounds appear in airports.

One key service provider in the transportation industry, airports, has now realized that passengers using their terminals hold the potential of substantially increased revenues. However, it has only been since the 2000s that airport operators have shifted their attention from simply providing facilities and services to meet basic needs to enhancing the airport experience with a broad array of design and operational amenities focused on increasing revenues.<sup>30</sup>

According to industry research findings, satisfied passengers spend more time and money in airports than less satisfied passengers leading to increased economic benefits and profitability.<sup>31</sup> With money to be made on not only departing and arriving passengers who are passing through their facilities, but also passengers who are passing through on connecting flights and passengers who are enjoying the time-saving convenience of using airports as primary destinations for business meetings.



## FYI WHAT HAPPENS WHEN THERE'S NO ROOM ON THE PLANE?

Because it is a common practice for individuals to make airline reservations and not show up for their scheduled flights, airlines overbook in order to fly at capacity. Federal regulations require them to make amends to passengers who are **involuntarily denied boarding (bumped)** because of **overbooking**. The airline must first ask for volunteers to give up their confirmed reserved space on the flight for some form of compensation.

If there are insufficient volunteers, then the airline will involuntarily deny boarding based on its established policies. Passengers who have been denied boarding are entitled to compensation of up to 200% (or a maximum of \$400) of the value of their remaining flight coupons. This amount may be reduced by the airline if comparable transportation can be arranged that will allow passengers to arrive at their scheduled destinations within

two hours of their originally scheduled arrival time on domestic flights (four hours on international flights). Other types of benefits offered may include phone calls and/or free or reduced-cost lodging and meals if an overnight stay is required.

Over 250,000 people are employed in on-airport at the five largest airports in the United States. When this number is projected on to airports of all sizes around the world, the number of jobs multiplies into the millions!

A prime example of putting all the pieces together to create a sense of place, space, and destination for passengers can be found at the Seoul Incheon International Airport serving Seoul, South Korea. This airport has the typical amenities you would expect such as a variety of retail shops and food and beverage outlets, but you will also find a casino, a golf course, hotel rooms, an ice skating rink, indoor gardens, a spa, and the Museum of Korean Culture.

## Summary

Passenger transportation, whether on land, over the water, or in the air, is the lifeblood of the tourism industry. Water transportation was the first mode of transportation to move travelers rapidly over long distances, but many other modes have since evolved to meet time and distance requirements. Geography and governmental policies and subsidies combined to create a host of transportation alternatives that vary greatly by country and location.

When it comes to transportation, travelers have the choice of plying the waves, riding the rails, cruising the highways, or soaring through the skies. Which one they choose will depend on where they are going, their budget, and the amount of flexibility they desire.

Ocean-going passenger service, which was once popular crossing the Atlantic, declined as jet air service increased. However, water transportation alternatives, including ferry services, which are designed to carry everything from passengers to trains, motorcoaches, and automobiles, are still very important in many parts of the world.

Land transportation revolves around rail service, automobiles, and motorcoaches. Passenger rail service, which originated in the European countries, has continued to improve in efficiency and still meets the needs of those travelers, but it is also popular in other countries, especially those in Asia, with high population concentrations and large cities located in close proximity to each other.

In other countries, such as Canada and the United States, automobiles account for the majority of all travel away from home. Taxis, shuttles, limousine services, and light-rail systems fill important transportation needs for travelers everywhere. In addition, the flexibility and economy of operations of motorcoaches that can serve scheduled routes and organized tours continue to meet the needs of travelers worldwide.

Air transportation has proven to be the driving force behind the explosive growth in domestic and international travel. As governmental regulations are removed from air transportation, international barriers fall, and major airlines vie for an increasing number of passengers, competition as well as passenger traffic will continue to increase. Airlines, like most other service providers in the tourism industry, are being forced to rely on more sophisticated marketing and management techniques to achieve profitability and deliver high-quality service.

With the growth in air transportation, the number of travelers passing through terminals has also exploded. When these travelers are combined with those passing through rail, ferry, and cruise terminals, the number of potential customers is compounded. Airports have especially recognized the revenue potential from these passengers and shifted their attention from simply providing basic facilities and services to creating experiences, expanded services and enhanced amenities.



## You Decide

Too many calls and not enough time! As Meredith Carpenter, national sales manager for Park Plaza Hotels, reviewed her schedule for the upcoming week, she began to wonder if she had built in enough flexibility. Being pressed for time was nothing new, but five clients in three cities in one week would be pushing it. On top of that, she was hoping to squeeze in a few cold calls as she prospected for new business. Meredith knew it would be hectic but worth it if she beat her quota and qualified for her incentive bonus.

Meredith had worked closely with her travel agent to develop an itinerary that would allow her as much time as possible in each city. The itinerary was set up so that she could catch the last scheduled flight as she moved from city to city. This schedule looked good at the time she arranged it, but she was now beginning to think about how inflexible it might be. What if her appointments ended early or she was unable to connect with decision makers on her cold calls? Would she be wasting time in one city when she could be more productive in the next one?

Just before leaving, Meredith decided to make some contingency plans in case her business needs changed. Using her smartphone, she made reservations on a different airline for an early afternoon flight from each city. In addition, she downloaded several airline timetables onto her phone. Having these schedules with her, she could make last-minute changes and book even more convenient flights if necessary.

It would be hectic, but she was prepared. Armed with two reservations for flights from each city and information at her fingertips for alternative flights, Meredith was prepared for any contingency. If her plans changed and she finished early, she could cancel her reservation for the later flight. However, if her sales calls went as planned, she would simply do a “no-show” for the earlier flights and use her original reservations. After all, Meredith thought, airlines always overbooked and no one would be hurt by either a last-minute cancellation or a no-show. Do you think Meredith did the right thing?

## Net Tour

To get you started on exploring Internet links for this chapter, please see

[www.eurail.com](http://www.eurail.com)  
[www.iata.org/index.htm](http://www.iata.org/index.htm)  
[www.supershuttle.com](http://www.supershuttle.com)  
[transtats.bts.gov](http://transtats.bts.gov)

[www.bluetrain.co.za/](http://www.bluetrain.co.za/)  
[www.bigbustours.com/](http://www.bigbustours.com/)  
[www.cruising.org/](http://www.cruising.org/)  
[www.ntaonline.com/](http://www.ntaonline.com/)  
[www.sustrans.org.uk/](http://www.sustrans.org.uk/)  
[www.airports.org](http://www.airports.org)

## Discussion Questions

1. What are the major modes of transportation, and why is each of these modes important to the current and future success of the tourism industry?
2. Who do many travelers, especially based on geographic location, rely on water transportation to meet their transportation needs?
3. Why is passenger rail service more efficient and effective outside Canada and the United States?
4. Why are automobiles the dominant form of tourism traffic in North America?
5. Why are motorcoaches experiencing renewed growth as a transportation source?
6. Discuss some of the many changes that have occurred since deregulation of the U.S. airline industry.
7. Why are airlines considered to be the backbone of travel?

## Applying the Concepts

1. Take on a planning task similar to the one faced by Shawna in our chapter opener. Select three major cities that are serviced by scheduled airlines. One city should serve as your reference point for departure and the other two cities should be two different destinations. One destination city should be in an adjacent province or state and the other city should be located in a different country. Prepare a table showing the following information:
  - a. The types of transportation you could use to reach each of your selected destinations.
  - b. The distance between each city in air miles and surface miles.
  - c. The estimated time it would take to reach each of your selected destinations by both air and surface travel.
  - d. After you have developed the table, explain the pros and cons of each of the available transportation alternatives.
2. Select one mode of transportation that is particularly interesting to you and learn more about it. Either schedule an interview with an employee of a representative company or collect copies of newspaper and magazine articles about the industry and companies in the industry. Based on the data you obtain, write a short report discussing important information you

learned from your interview or research containing facts about the industry, the company, and the person's job.

3. Compare the rail system in the United States to the rail system in Europe. What makes the Eurailpass so popular for tourists traveling to Europe? Would a similar concept work in the United States? Why or why not?
4. Browse the Internet for intercity bus transportation information for three different countries. Describe the information that is available on each site.
5. Choose a long-distance city pair (the origin and destination cities for a trip), and interview a travel agent or access information using the Internet to determine the variety of fares and transportation alternatives available between them.
6. Select one of the top ten airports from your search on the Internet and access its website. Make a list of all the services provided along with any cultural venues or activities.

## Glossary

**Airport code** A three-letter designation used to identify specific airports.

**Air Transport Association (ATA)** A domestic association that provides a format for discussing safety and service issues and promotes the advancement of technology.

**Amtrak** The marketing name for the National Railroad Passenger Corporation, which is a combination of the passenger rail services of U.S. railroads.

**Banks of flights** The process of coordinating flight schedules so that aircraft arrive and depart during similar time periods.

**Bumping** The process of denying boarding to airline passengers with confirmed reservations due to overbooking (overselling) the flight.

**CANRAILPASS** Allows 12 days of economy class travel within a 30-day period anywhere VIA Rail goes in Canada.

**Circle-trip flight** A flight plan that includes return to city of origin but via different routing or airline.

**Code-share** An agreement allowing a regional/commuter airline to share the same two-digit code of a cooperating primary carrier in the computer reservation system.

**Concessions** Retail outlets offering goods and services to customers in self-contained settings such as airports, museums, stadiums, and zoos.

**Connecting flight** A flight plan that includes a change of aircraft and flight number.

**Direct flight** A flight plan that includes one or more intermediate stops but no change of aircraft or flight number.

**Economies of scale** Savings in time, money, or other resources organizations enjoy as the result of purchasing and/or selling in large quantities, specialization at a particular job or function, and the use of specialized machinery.

**Eurailpass** Allows unlimited travel for non-European tourists for varying periods of time throughout Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, and Switzerland.

**Federal Aviation Administration (FAA)** Agency within the DOT charged with ensuring air safety and promoting the growth of aviation.

**Fleet utilization** Percentage of time transportation vehicles are used for revenue-producing purposes.

**Hub-and-spoke system** The primary airline route pattern in the United States. By designating primary hubs,

airlines are able to funnel traffic into these centers to feed their trunk point-to-point routes between major market cities.

**Intermodal** A trip requiring the use of two or more forms of transportation.

**International Air Transport Association (IATA)** Association for airlines offering international air service that provides a means of resolving problems for mutual benefit.

**Involuntarily denied boarding** A situation that occurs when airline passengers with confirmed reservations are denied boarding on scheduled flights due to overbooking. Passengers may either voluntarily give up their reserved space or be involuntarily denied boarding in exchange for compensation.

**Legacy carrier** Established and comprehensive carriers offering varying classes of services with global networks that include alliance partners, which allow passengers to earn and redeem frequent-flier miles across these networks.

**Nonstop flight** A flight between two cities with no intermediate stops.

**One-way flight** A flight plan that includes no return to city of origin.

**Open-jaw** A round-trip that allows the passenger to utilize different points of origin or return.

**Overbooking** Accepting more reservations than there is capacity to serve those customers making the reservations (e.g., accepting reservations for more passengers than there are available seats on an aircraft or for more rooms than there are in a hotel).

**Point-to-point** Direct travel between two destinations.

**Push** The act of pushing an aircraft away from the gate for departure. The term is used to indicate the length of time necessary to unload, fuel, service, and reload an aircraft between time of arrival and departure.

**Repositioning cruise** The transfer of a ship from one cruising area to another to take advantage of the seasonality of demand.

**Rolling hubs** Connecting flights are spread over longer periods of time to reduce congestion and facility and equipment demands.

**Round-trip flight** A flight plan that includes return to city of origin via identical routing.

**Spoke routes** Air service provided from smaller secondary markets to feed passengers into primary hub markets.

**Terminals** Facilities where passengers embark and disembark transportation services.

**Trunk routes** Point-to-point air service between primary hub markets.

**U.S. Department of Transportation (DOT)** Organization within the U.S. government charged with establishing

the nation's overall transportation policy, including highway planning, development, and construction; urban mass transit; railroads; aviation; and waterways.

**VIA Rail Canada** The marketing name for Canada's passenger train network, which is a combination of the passenger rail services of Canadian railroads.

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# CHAPTER 7

## Accommodations

*A guest never forgets the host who had treated him kindly.*

—HOMER

### LEARNING OBJECTIVES

**After you have read this chapter, you should be able to:**

1. Explain the importance of accommodations to the tourism industry.
2. Identify and describe the major classifications of accommodations.
3. Identify and describe the primary ownership patterns of lodging properties.
4. Describe the basic organizational structures in lodging properties.
5. Describe the differences between front-of-the-house and back-of-the-house operations.
6. Identify and describe key marketing, management, and financial considerations in lodging operations.
7. Demonstrate knowledge of basic accommodation terminology.

### CHAPTER OUTLINE

#### Expect the Unexpected

##### Introduction

##### Oh, So Many Choices!

- No Two Are Exactly Alike
- Living Like a Local
- Same Time, Same Place?
- Living, Learning, and Leisure
- Enjoying the Great Outdoors

##### Rooms, Rooms, and More

- Making Sense of Classifications and Ratings Systems
- Lodging Lexicon

##### Operating Structures

- Going It Alone
- Franchising
- Management Contracts

Chain Operations

Strength in Numbers

##### It All Begins with Marketing

- Providing a Home Away from Home
- Organizing for Success
- Meeting Guests' Needs
- Achieving Profitable Operations

##### Summary

##### You Decide

##### NetTour

##### Discussion Questions

##### Applying the Concepts

##### Glossary

##### References

## Expect the Unexpected

The alarm went off at 5:00 A.M., but David knew he couldn't hit the snooze button. It was going to be a busy day and he wanted to be at work by 6:30 A.M. The hotel was full, and a large convention group was checking out with an even bigger group checking in that afternoon. As the assistant general manager of a large downtown hotel, David prided himself on the quality of service his staff delivered to each guest every day. Although his employees were well trained, he liked to be on hand, especially on busy days, to help out where needed.

As he rubbed his eyes and looked out the window, he stared in disbelief and his mind began to race. It was snowing and the parking lot in front of his apartment was covered with snow. If he had been living in the North, where snow was common, this would not have been a problem, but he lived in Georgia, where snow was a novelty. Could he get to work? Could his employees get to work? Would the airport be open?

The drive to the hotel that morning was a little nerve-racking, but he made it. While he listened to the radio on the way to work, he groaned. The city buses would not be running today and unseasonably cold weather was still in the forecast. Everyone was being encouraged to stay home, and several "fender benders" had already been reported.

When he arrived at the hotel, he was relieved to see that some of the kitchen staff had made it. He asked the night auditor and front desk employees if they would stay a few extra hours and help out. Several other employees had arrived after braving the slick streets and sidewalks, but the calls were starting to come in from many more employees who were not able to get to work. By 7:00 A.M., the lobby was beginning to fill with guests, and a line had formed in front of the coffee shop.

This may not be a typical day in the life of a hotelier, but David had learned to expect the unexpected. The day was still young, and there were sure to be many more challenges. Solving problems, meeting needs, training employees, and being an active part of the community kept his job from being anything but dull.



*The Stanley Hotel, Estes Park, Colorado, just one of many lodging choices.* Photo by C. A. Cook



## Introduction

“Come in; please be my guest.” For years, these words of welcome have greeted weary travelers seeking shelter for the night. Providing travelers with temporary shelter is an age-old profession that can be traced through recorded history to the inns of biblical times. In fact, the term *hostel* (meaning inn) can be traced back to the middle ages.

The inns of old, usually no more than simple structures, offered meals and a bed in a room shared with other travelers seeking safety and shelter for the night. By today’s standards, these early inns were very crude. They usually had one or may be two rooms with several beds in each room. The innkeeper would put two, three, or perhaps even four people in a bed. Although many early innkeepers were not always the most reputable lot, they did provide an important service by meeting travelers’ basic needs for shelter and food.

Most early inns looked like any other home along the roadside and could be recognized only by special signs hung by their front doors. As lodging facilities became more sophisticated, they often added taverns, which served as gathering spots for locals. Because these inns and taverns were usually built around courtyards, they became natural entertainment areas for speakers and traveling minstrels and troubadours.

Early “hotels” were usually just overgrown inns. However, it didn’t take long for large structures specifically designed for lodging to appear. Most of these hotels were originally built in or around seaports and train depots as well as at major spa resort destinations in Canada, England, France, Germany, and the United States. In fact, development of lodging facilities closely followed improvements in transportation, particularly steamships and railroads. From these modest beginnings a variety of accommodation choices have emerged to meet the needs of today’s travelers. “It is difficult to imagine how today’s fast-paced globalized economy could function at all without countless hotels around the world offering shelter and services to a burgeoning clientele of international business and leisure travelers” (p. 52).<sup>1</sup>

## Oh, So Many Choices!

Think for a minute about some of the accommodation options from which you can choose when planning a trip. Where will you spend the night(s) on the way to your destination? Where will you stay once you reach your destination? You can probably think of alternatives ranging all the way from staying with friends and relatives to pampering yourself at a luxury hotel. Over the years, a wide range of facilities have been developed to meet travelers’ accommodation needs. Just like inns of old, these facilities became a focal point for community gatherings and social activities. In addition, they attract visitors and create opportunities for these guests to spend more time and money in the area.

Although accommodations can be found in many shapes and sizes, these facilities have commonly been grouped under the umbrella term **lodging**. The accommodations segment of the tourism industry consists of many popular alternatives such as bed and breakfasts (B&B), condominiums, timeshares, conference centers, hotels, and motels, as well as recreational vehicle (RV) parks and campgrounds.

If you think back to the transportation service providers we studied in Chapter 6, you will also find that many of them that travel over long routes, such as passenger trains, ferries, and even airplanes, often include **accommodations** as part of their total service packages. In addition, resorts provide extensive lodging facilities, and some of the newer mega-cruise ships are often referred to as *floating resorts*. We will not discuss resorts or cruise ships in this chapter but, more appropriately, in Chapter 10 as we explore destinations. As you will begin to see, the range of available accommodation alternatives is extensive.

With so many choices, attracting and retaining guests requires attention to their needs. Marketers have zeroed in on this important group of potential frequent stayers

**Table 7.1** Strategies for Developing Loyal Guests

Strategy Type	Example
Social	Frequent communications with former hotel guests
Emotional	Use of guest's name to provide sense of recognition
Experiential	Provide special-touch extra services (e.g., birthday cake)
Functional	Provide amenities such as high-speed WiFi
Temporal	Offer guest time savings via quick check-in/out
Financial	Offer guest discounts or free services

*Source:* Based on Shoemaker, S., and Lewis, R. (1999). Customer loyalty: The future of hospitality management. *Hospitality Management*, 18, 345–370.

by fine-tuning strategies to meet their specific needs. As Table 7.1 illustrates, a broad array of strategies are needed to attract and retain a loyal following. In addition to targeting frequent stayers, marketers have recognized and developed varying brands within hotel chains to meet the needs of specific market segments (see Table 7.2).

## No Two Are Exactly Alike

The B&B concept began in the small towns and rural areas of Europe where a family would open its home to travelers. Known as **pensions**, these original B&Bs were probably a lot like the inns of biblical or medieval times: a room or two with a shared bath down the hall and a homemade breakfast served before departure.

The idea of B&Bs may have started in small towns and rural areas, but this concept has spread across the world and can be found anywhere someone wants to be his or her own boss. In fact, after the fall of communism, some of the first businesses to



*Accommodations can be found in many shapes and sizes depending on the location.*

Photo by C. A. Cook

**Table 7.2** Hotel Companies' Global Reach**InterContinental Hotels Group** (4,700 hotels in 100 countries)

InterContinental Hotels & Resorts	Holiday Inn Express Hotels
Hotel Indigo	Staybridge Suites
Holiday Inn	Crowne Plaza Hotels & Resorts
Holiday Inn Resort	Kimpton Hotels & Restaurants
Even Hotels	HUALUX Hotels and Resorts
Candlewood Suites	

**Accor** (3,700 hotels in over 92 countries)

Novotel	Ibis
Grand Mercure	Etap
All Seasons	Hotel f1
Sofitel Legend	Adagio Access
SO Sofitel	M Gallery by Sofitel
The Sebel	Mercure Hotels
Adagio Premium	Ibis Styles
Adagio	Ibis Budget
Thalassa Sea and Spa	MAMA Shelter
Pullman	

**Starwood Hotel & Resorts Worldwide** (1,300 hotels in nearly 100 countries)

Sheraton Hotels/Inns/Resorts/Suites	St. Regis
Westin Hotels & Resorts	W Hotels
Le Meridien	The Luxury Collection
Four Points Hotels by Sheraton	Starwood Vacation Ownership
Aloft	Element
Tribute Portfolio	Design Hotels

**Best Western** (4,100 hotels in over 100 countries)

Best Western	Best Western Plus
Best Western Premium	

**Hilton Hotels** (550 hotels in 78 countries)

Hilton Hotels & Resorts	Conrad Hotels & Resorts
Embassy Suites Hotels by Hilton	Hilton Garden Inns
DoubleTree by Hilton	HOME2 Suites by Hilton
Homewood Suites by Hilton	Waldorf Astoria Hotels & Resorts
Hampton Inns & Suites by Hilton	The Waldorf Astoria Collection

**Marriott International** (4,000 hotels in over 78 countries)

Marriott Hotels & Resorts	Ritz Carlton
Courtyard by Marriott	Springhill Suites by Marriott
Fairfield Inns by Marriott	TownePlace Suites by Marriott
Residence Inns by Marriott	Marriott Vacation Club
Renaissance Hotels & Resorts	JW Marriott Hotels & Resorts
Marriott Executive Apartments	Moxy Hotels
Bulgari Hotels & Resorts	Edition
AC Hotels	Protea Hotels
Delta Hotels	Gaylord Hotels
Autograph Collection Hotels	

**Table 7.2** Hotel Companies' Global Reach (*Continued*)

<b>Choice Hotels International</b> (6,300 hotels in nearly 40 countries)	
Comfort Inn	Comfort Suites
Quality	Sleep Inn
Clarion	CAMBRIA Hotels & Suites
MainStay Suites	Suburban
EconoLodge	Rodeway Inn
Ascend Hotel Collection	

appear in the former Eastern European Bloc countries and Cuba were B&Bs. However, it should be noted that in the United States, and probably other countries, very small B&B homes are generally operated for supplemental income, tax benefits, and as a means of defraying utility costs rather than as an investment or sole source of income.<sup>2</sup> No matter what the setting or operator, research has shown the successful B&B operators are those providing guests with the same positive experience again and again.

Today, B&Bs come in a wide variety of sizes and service offerings. You can now find Bed & Breakfast Homes (1–3 rooms), Bed & Breakfast Inns (4–20 rooms), and Bed & Breakfast Hotels (over 20 rooms and sometimes a small restaurant). The average B&B in the United States has 6 rooms.<sup>3</sup> If you travel to southern Europe or perhaps Quebec, rather than finding B&Bs, you might find pensions, which offer similar accommodations. As B&Bs have grown in numbers, government-sponsored as well as independent reservation and [referral organizations](#) have evolved to assist owners in marketing their services to travelers seeking the “comforts of home.” B&B owners have found the Internet to be an especially effective marketing tool for [booking](#) reservations.

Even though B&Bs may look different, personal attention and breakfast in the morning are common themes that tie all B&Bs together. One reason some travelers prefer B&Bs to hotel accommodations in a large city is that a \$200 room in a B&B is may be a better buy than a \$200 hotel room. A B&B operator rarely adds on parking, Internet connection, or other charges, and many offer afternoon snacks and wine in addition to a hearty breakfast. With the ready availability of the Internet, it is easy, and more personal, to book a stay at a B&B virtually anywhere in the world. Managing and operating a B&B to provide guests with stays that are rewarding and memorable is a multifaceted challenge requiring many skills. Finance, management, marketing, technology, cooking, decorating, cleaning, safety, customer service, staffing—the list is practically endless.<sup>4</sup>

### Living Like a Local

Offering visitors a place to stay in one’s home, whether it’s on an air mattress in the living room, a spare bedroom, or the entire property; private accommodations, has grown tremendously in the past few years. Airbnb, as the pioneer intermediary for this type of lodging, has revolutionized the already competitive lodging landscape. Now Airbnb and various other intermediaries in this lodging space, such as Homeaway, VRBO, and Flipkey, carry huge volumes of room inventory, especially in destinations where hotel room rates are high. To compete with private accommodations, hotel’s chains have also begun to use these intermediaries to distribute their own room inventory.

Why would travelers want to stay in someone else’s home? According to research, the primary reason is to “feel like a local” and get a taste of the community life during their visits. These rental units are usually spread out in the community, unlike hotels which usually are located in clusters near business districts or tourist attractions. Although in some cities, private accommodations could cost more than hotel rooms, for the most part; staying in private accommodations could save money. In fact, most private rental units are

now for the entire property, often housing large travel parties. Travelers can also prepare their own meals in the rental units and save on dining out expenses.

In addition to leisure visitors, business travelers, and convention attendees appreciate the same benefits of staying at private homes and are contributing to the growth of this accommodation sector. This is especially true when large conventions and events are held and traditional hotels don't have enough rooms or increase their rates significantly due to high demand.

The growth of this form of lodging, like many other sharing economy players, is not without controversies. Different cities, states, and countries have different regulations (some have no regulations) about this type of business. Safety and security of guests, potential loss of government taxes, and impacts on neighbors are just some of the issues to be addressed.

## Same Time, Same Place?

**Timeshares** at condominium properties usually have the same **amenities** found in a typical luxury apartment setting. Condominiums (condos) and other types of accommodations are often marketed as timeshares. The idea of owning timeshares (vacation or fractional ownerships), especially in resort locations, is very appealing to individuals who can plan their travel activities in advance and want to be assured of accommodations at set times and in specific locations.

The idea of guaranteeing accommodations during a specific time period at a resort location originated at a ski resort in the French Alps called SuperDevoluy. The idea of timesharing quickly spread to and flourished in the United States. It seems people were very interested in owning a small fraction of time in a resort destination that fit their lifestyle and vacation needs with “like-minded” fellow owners. In addition, research confirms that the following attributes are positively related to customer satisfaction with timeshare ownership: “resort-like hotel service, resort amenities, affiliation with an exchange company, and a counselor to assist with vacation planning” (p. 65).<sup>5,6</sup>

Historically, buying a timeshare unit (typically 1/52 or 1/26, one or two weeks) meant purchasing fixed weeks at a single-site location on a **fee simple** or **right-to-use** basis. This ownership assured the purchaser of having specific accommodations for a set time and place each year. Through companies such as Resort Condominiums International and Interval International, purchasers could exchange their units and times with other owners at participating locations. Timeshare companies now offer flexibility through multisite programs, global exchanges, point systems, and vacation clubs. The point system or vacation credits introduced by Disney in 1992 are the up-and-coming way timeshare resorts are being marketed and sold. Resort developers assign a point value to each season, week, unit size, and type. Owners then can use their points to exchange vacation times and locales.<sup>7</sup> Moving from fixed and floating weeks to points provided owners with a “currency” that could be used to purchase time at almost any other vacation ownership resort, rent recreation vehicles, houseboats, or purchase cruise ship bookings. Many city hotels also participate in this program and make their room inventory available.

Not surprisingly, the most popular locations for the millions of timeshare owners are in locations that are not subject to seasonality. In the United States, the most popular timeshare properties are found at destinations such as Florida, California, Hawaii, Arizona, and Nevada. The same holds true for international destinations, with the most popular locations being the Caribbean, coastal Europe, Mexico, and Australia.<sup>8</sup> Southeast Asia is now an emerging market. Timeshare operators in all of these countries and more have come together for a unified voice and research activities through the Global Alliance for Timeshare Excellence or GATE. Just as there are popular locations, there are also different times of the year that are more popular than others. These time periods are classified by colors indicating the level of demand. Low-demand weeks are



**Table 7.3** Excerpts from “Profile of Timeshare Owners”

The Baby Boomer generation (ages 45–63) is the largest segment (45%).  
 Half of timeshare owners are employed full-time (52%).  
 Timeshare owners are more educated than the U.S. population as a whole (43% received college education; 19% received graduate school training).  
 Average household income of \$92,405 for all owners. Roughly 92% of timeshare owning households reported incomes that exceed the United States average of \$50,233.  
 Beaches (52%), attractions/entertainment (48%), and shopping (39%) are the most attractive resort characteristics.

*Source:* Reprinted with permission from ARDA, originally printed in November/December 2009 Developments magazine. The ARDA International Foundation updates research regularly—please see [www.arda.org/researchlibrary/](http://www.arda.org/researchlibrary/) for the latest data and statistics.

classified as “blue,” medium-demand “white,” and high-demand “red.”<sup>9</sup> For example, a week during Christmas in Orlando, Florida, would probably be more desirable than a week in February in Okoboji, Iowa.

The allure of timeshare ownership is especially strong in the United States, where purchases are growing at an 8% compounded annual rate.<sup>10</sup> The United States leads the world in the timeshare market, with over 3.2 million owners, and Americans are also active buyers of timeshares in other countries (see Table 7.3). The popularity of timeshares is expected to continue growing as more and more baby boomers enter the prime age for buying second homes (ages 52 to 70), and more hotel companies begin supplying the timeshare market. Hotel companies such as Disney, Hilton, Hyatt, InterContinental, Marriott, and Starwood Hotels are being attracted to this industry segment because occupancy rates average almost 94%.<sup>11</sup> With over 5,000 properties worldwide and many

## FYI SIMILAR BUT DIFFERENT

Timeshares are similar to hotels, but they are also different in many ways. When you walk in the front door, many things will seem the same as you approach the front desk or reception area. Even the key cards to your room will look the same. You might start noticing a difference when it comes to service. Room service is probably out of the question and housekeeping services will only be provided mid-week rather than every day. The number of food and beverage options will definitely be more limited, but your accommodations almost always be larger and, you can prepare your own meals in a fully equipped kitchen. It takes the same types of employees to operate timeshares as it does a hotel

and research has shown that the skills needed by employees in both types of settings are very similar.

While operational issues may be the same, timeshares unlike hotels and resorts are owned by many individuals who typically purchase one or two weeks of vacation time. Since owning a timeshare is a real estate investment, owners are required to pay insurance, maintenance fees, management fees, and real estate taxes. To attract and sell timeshare units require a great deal of marketing effort, and, in fact, 30–50% of the sales price for a timeshare is composed of marketing expenses such as salaries and enticements to attend sales presentations. However, today, you don't even need to sit through a

presentation to buy a timeshare. Internet access to photo galleries, videos, and live chats combined with detailed purchasing and ownership costs can make ownership a no-stress exercise.

Timeshare ownership should not be looked at as a standard real estate investment that will grow in value, but more like an automobile purchase that will decrease in value over time. While there should be residual value, timeshare purchasers are really buying the opportunity to vacation in prime locations in well-maintained facilities for a life time. Although timeshares may be different than hotels, the lure of owning a piece of paradise continues to grow and attract a younger audience each year!

*Source:* Based on Timeshares Come of Age. (2016, March), *Consumer Reports*, Vol. 81(3), pp 48–52; Ricci, Peter and Kaufman, Tammie. (2007), Managerial Expectations for New Hires: Similarities Between Vacation Ownership and Traditional Lodging, *Journal of Teaching in Travel and Tourism*, Vol. 7(2), pp 35–49; ARDA News and Information. (2016), <http://www.arda.org/news-information/industryinformation/overview.aspx>.

easily recognized brand names, timeshare ownership should continue its pattern of rapid growth. Vacationers desiring ownership for longer periods of time turn to condominiums.

In a condominium development, individuals buy units for their own use. In contrast to a fractional ownership plan, the units are frequently made available for rental when not being used by their owners. These units may be managed under a straight rental agreement or be placed in a **rental pool**.

In a straight rental agreement, condo owners receive a portion of the rental revenues based on the rental income received for their units. In a rental pool, all condominium owners share in rental income based on the square footage of their units. In either situation, the owners typically pay for all taxes, utilities, and general maintenance expenses. In return, they receive a percentage of the rental income (usually 49%), and the management company retains the remainder (usually 51%) as compensation for operating and maintaining the property when owners are not using their allotted times or units.

For those wanting a special touch in vacation ownership, fractional ownerships are just the ticket. Fractional ownership plans, typically providing high-end accommodations, can be purchased for one to three months of usage periods. Premier properties in breathtaking locations with hotel-like amenities take away the hassles of being confined to one destination and add the benefits of multiple vacation home ownership destinations. Companies such as Exclusive Resorts and Storied Places are finding demand is high for their exclusive offerings. To meet this demand, condo hotels, such as the condominium tower at the Fontainebleau Resort in Miami Beach, Florida, are entering the lodging market.<sup>12</sup>

## Living, Learning, and Leisure

Providing accommodations built around a setting specifically designed, equipped, and staffed to host meetings creates the unique environment of a conference center. The first of these facilities was established by former President Dwight D. Eisenhower when, as president of Columbia University in 1950, he opened Arden House, a 30-bedroom house on a country estate outside New York City.<sup>13</sup> Today, there are over 300 conference centers in the United States, including the original Arden House and a host of other locations such as the Scanticon Conference Center in Princeton, New Jersey; the Macklowe Conference Center in downtown New York City; and the Inn and Conference Center at the Biosphere in Oracle, Arizona.

With an employee:guest ratio of from 1:0.5 to 1:2.5, conference center managers can focus their attention on the specific needs of each group and excel at providing the desired experience of living, learning, and leisure. Extra service touches such as rearranging housekeeping schedules to clean guest rooms when attendees are in meetings or adjusting foodservice schedules based on changing group needs highlight the flexibility provided in conference centers. Extremely strict guidelines established by the International Association of Conference Centers must be achieved and adhered to if the facility is to be classified as a conference center.

## Enjoying the Great Outdoors

Campers have traditionally been viewed as families or individuals wanting to save money or get close to nature and experience the great outdoors. However, with advances in technology, more people are being drawn to camping as they realize that the outdoor experience can be achieved without “roughing it.” It is not uncommon to find swimming pools, cable TV hookups, convenience stores, and even restaurants as part of the operations of commercial campgrounds and RV parks. The luxury tented safari experience offered in the Kruger National Park, South Africa, is a good example of a lavishly pampered outdoor adventure. As the levels of convenience have increased, so has the number of people who camp as well as use RVs to take a bit of home along with them.

Campgrounds and RV parks fill a special need in seasonal recreational areas, as they can add significantly to the accommodation base. From an economic



*Rooms on wheels meet seasonal accommodation needs.* Photo by Lorie A. Tuma

perspective, government-funded as well as privately developed campgrounds have essentially shifted capital investment needs to campers who bring along their tents, camper trailers, trailers (also called caravans), and RVs. Rather than investing in expensive buildings that could remain empty for a large part of the year, limited investments can be made in support facilities when travelers bring along their own accommodations.

In response to the growing popularity of RVs, many lodging facilities, especially when associated with casinos, are providing parking spaces for these vehicles. Nowhere is the mutually beneficial relationship between traditional lodging facilities and RVs more evident than at Walt Disney World or in Laughlin, Nevada. Specifically designed campgrounds and parking spaces with full RV hookups are adding to the accommodations base. In addition, whole communities of travelers can be found springing up on a “temporary” basis in Arizona, Florida, and south Texas during the winter months or in the mountains of Alberta, British Columbia, Colorado, New Mexico, Montana, Washington, and Wyoming during the summer months.

## Rooms, Rooms, and More

From some of the more specialized and unique types of accommodations, we now move to hotels and motels that meet the majority of travelers’ lodging needs. The history of hotel development centers largely in the United States, as this is where the hotel concept originated.<sup>1</sup> The construction of the 170-room Tremont House in Boston in 1829 technically marked the beginning of the hotel segment of the tourism industry in the United States. Services and conveniences such as a “rotunda man” (bellhop) to carry guest bags because there was no elevator, a restaurant featuring French cuisine, private rooms with locks, soap and pitchers of water in each room, and indoor toilets made the Tremont a special place to stay. The opening of the Brown Palace Hotel in Denver, Colorado, in 1892, with its distinctive atrium design, marked another significant milestone in lodging history.

The next major change in the development of modern lodging occurred when Ellsworth M. Statler opened the Buffalo (New York) Statler Hotel in 1908. This hotel truly revolutionized the industry because it was designed and operated with guest comfort, convenience, and safety in mind. Each room had an electric light just inside the doorway, a private bath with tub and toilet, and a pitcher of iced water. In addition,

## FYI MOTEL OF A DIFFERENT KIND

Instead of roadside motels, most economy hotels in China are in downtown convenient locations where guests arrive by train, bus, or taxis. The economy hotel sector has experienced tremendous growth in China where the concept remained relatively unknown until the mid-1990s. The rise of the Chinese middle class and the general growth of the economy supported by millions of small and medium sized enterprises generate leisure travel activities and business travel require-

ments, respectively. Suitable accommodation choices in traditional hotel sectors for these travelers are limited because the high end 4- and 5-star hotels are usually priced beyond their reach and 3-star or lower hotels and guesthouses are usually poorly run with inconsistent and less than desirable quality. A big portion of these travelers would demand value-for-money accommodation options.

In 1996, one of China's influential hotel companies, the Jinjiang Hotel

Group, launched the first domestic economy hotel brand, Jinjiang Inn, marking the beginning of the economy hotel development in China. Since 2000, foreign economy hotel chains have also stepped into the China market. Among the forerunners are Ibis, Super 8, and Holiday Inn Express. By the end of 2015, China had over 21,000 economy hotels with close to two million rooms across the country.

*Source:* Based on 2016 China Hotel Chain Development and Investment Report. Published by China Hotel Association. Retrieved on December 5, 2016 from <http://chinahotel.org.cn/ChoiceOSP/upload/file/20160422/42291461329739119.pdfv>.

free morning newspapers were delivered to each room. The hotel also had fire doors and a host of other standard features.

The Buffalo Statler Hotel ushered in a new era of lodging growth, and the industry continued to flourish in the early 1900s as hotels, designed to be the biggest and best, sprouted up across Canada and the United States. This boom stopped abruptly with the Great Depression (which began in 1929), when nearly 85% of all hotels in the United States went bankrupt as business and leisure travel came to a screeching halt.

Prosperity finally returned with the end of World War II, but the focus shifted to motels (a contraction for motor hotel) rather than hotels. With improvements in road construction and maintenance, increased automobile traffic, and the desire and ability to travel, the motel segment flourished. As families began using automobiles for vacation travel, the old practice of sleeping in cars or camping beside the road no longer met their needs.

In response to changing needs, small wooden structures (the forerunner of the modern motel) were built beside major highways to serve this growing group of automobile travelers.

The first use of the term “motel” occurred at the Milestone Mo-Tel, built in 1925 in San Luis Obispo, California. Strategically located adjacent to the then-youthful Pacific Coast Highway (later U.S. 101) at the base of the Cuesta Grade near the foot of the Santa Lucia Mountains, the motel was a popular stop for modern motorists exploring this ruggedly beautiful country in their automobiles.<sup>14</sup>

The idea of “tourist courts” for the motoring public caught the eye of another lodging pioneer, Kimmons Wilson. Wilson believed consistent marketing programs and operating procedures could lead to financial success by fulfilling an unmet need: standardized facilities, service, and quality at the end of each day. His answer to meeting this need was Holiday Inn, the first of which was opened on the outskirts of Memphis, Tennessee, in 1952.

Based on the promise of providing standardized facilities, Holiday Inn soon grew into a successful chain of motels stretching across the United States. One room looked just like another and travelers always knew there would be free parking, a telephone, air conditioning, a swimming pool, and free ice. In addition, children under the age of 18 could stay free with their parents wherever they found the distinctive Holiday Inn sign.

Hyatt Hotels ushered in the renaissance of downtown hotel properties when it agreed to take over a yet-to-be-completed hotel construction project that other companies had shunned in Atlanta, Georgia. Architect John Portman had designed the hotel with an open atrium where conventional wisdom would dictate that another

**Table 7.4** Profile of Extended-Stay Guests

Stay for five or more consecutive nights
Bring personal items, such as photos, slippers, and pillows
Set up a workstation within the room
See kitchen as an important room amenity
Work in their rooms so place extra importance on space, lighting, comfortable chair, and handy telephone
Take baths (to relax) in addition to showers

Source: Reprinted with permission by Lodging Hospitality, a Penton Media Publication.

500 rooms could be built. Hyatt Hotels took on the challenge of what most hoteliers considered to be an unworkable design and successfully opened the first major downtown atrium hotel since the historic Brown Palace debuted in Denver, Colorado, in 1892. The atrium concept is now widely accepted and can be found in a wide variety of lodging properties and most mega-cruise ships.

Recent decades have been marked by high periods of growth and profitability for the hotel industry. In addition, companies continue to add new brands of properties to better target specific segments, such as extended-stay travelers (see Table 7.4). As the consolidation and the brand boom continue, a handful of mega-operators dominated by Accor, Marriott International, Choice Hotels International, Hilton Hotels & Resorts, InterContinental Hotels Group, and Starwood Hotels & Resorts Worldwide are emerging.

## Making Sense of Classifications and Ratings Systems

A wide variety of lodging **properties** and amenities developed to meet the needs of specific market segments. For example, business travelers expect to find larger desks, better lighting, casual seating, and irons and ironing boards in their rooms. As these features and other amenities such as shampoo, lotion, in-room coffee, and free newspapers became standard, travelers began to expect even more. As lodging properties race to meet customer needs, differences between traditional lodging property classifications such as hotels and motels have begun to blur. To clarify this situation and more clearly communicate the differences in facilities and services among properties, organizations (and governments in some countries) developed standardized classification and reporting systems. Both consumers and hotel companies benefit from standardized classifications through clearly communicated expectations and brand positioning.<sup>15</sup>

1. **Limited-service budget motels.** Simple, basic, clean rooms with no amenities other than clean towels, linens, and soap. (Sleep Inns and Microtel)
2. **Limited-service economy motels.** Upgraded room decor with television, telephone, vending machines, and generally located close to restaurants. (Motel 6, Super 8, and Red Roof Inn)

### FYI MOTEL 6

Motel 6 took on its rather distinctive name from its original pricing strategy. When the chain was first developed, each of the motels offered

rooms for only \$6 a night! Several similar motel chains followed suit with names such as Super 8 and National 9. In Asia and Europe, the

owner of Motel 6, Accor, provides lodging with the same pricing philosophy under the name Formule 1.



3. **Full-service, midpriced hotels and motels.** 24-hour front desk, upgraded interior and exterior decors, limited food service, extra room amenities, and other services. (Courtyard by Marriott, Four Points by Sheraton, and Holiday Inn)
4. **Full-service, upscale hotels.** Better quality and more luxurious, upgraded food service, and usually **concierge service**. (Delta Hotels, Hyatt Hotels, Hilton Hotels, and Westin Hotels)
5. **Luxury hotels.** Lavish guest rooms offering the ultimate in room amenities. Noted worldwide for service and surroundings. (Ritz-Carlton and Four Seasons Hotels)
6. **All-suite hotels.** Separate sleeping and living quarters, limited kitchen facilities, and complimentary food and/or beverage service in morning and evening. (Embassy Suites and MainStay Suites)
7. **Extended-stay hotels.** Apartment/studio living quarters targeting travelers seeking accommodations for five or more nights. (Residence Inn, Hyatt Summerfield Suites, Studio 6, and Staybridge Suites)
8. **Botique and lifestyle hotels.** Small to medium-sized hotels offering high levels of service with historic or innovative features. (Kimpton Hotels, Aloft, and Moxy Hotels)

Other organizations such as Smith Travel Research use classifications such as upper upscale, upscale, midscale with food and beverage, midscale without food and beverage, and economy to differentiate properties based on room rates.<sup>12</sup> Historic hotels (independently owned properties that are over 50 years old) occupy a special category in the classification system. They not only fulfill all the requirements of a typical full-service hotel but also have a unique character created through restored architectural structures and collections of antiques and other memorabilia. Each of these classification systems provides managers with reference groups and **benchmarks** against which they can evaluate performance and plan for the future. Best practices have been identified for a variety of hotel operations including check-in, housekeeping, maintenance, food and beverage, marketing, and information technology. For example, the Newark Gateway Hilton and the Ritz-Carlton Dearborn designed processes to speed up the traditional check-in process, and Motel 6 achieved excellence by creating a cohesive, chain-wide promotional campaign.<sup>16,17</sup>



This hotel is inspected and approved by tourism BC under its approved accommodation program and it is also rated by the Canadian star quality accommodation system. Photo by Cathy Hsu

Rating systems can be just as confusing as classification systems. There are literally hundreds of rating systems, both public and private, in every country. With published guides, blogs, and tourism sites boasting individual rating services, it is easy for the consumer to become confused. Confusion has been introduced into rating systems as many online sources have created their own rating rubrics. In fact, in one study, it was reported that about 60% of the hotels were found on at least six of the selected distribution channels, and only 24% of the hotels had consistent star ratings across different distribution channels. Results of data analysis indicated that consistent star ratings become even more difficult to maintain as the number of distribution channels used increases making it difficult for users to rely on these third-party distribution website ratings.<sup>18</sup>

**Table 7.5** Hotel Terminology

Single	Room with one twin bed
Twin	Room with two twin beds
Double	Room with one double bed
Double double	Room with two double beds
Murphy	Room with a Murphy bed (a bed that folds out of a wall or closet)
Suite	Room with one or more bedrooms and a living area
Connecting	Rooms that are side by side and have a door connecting the two rooms
Adjoining	Rooms that are side by side but do not have a connecting door between the rooms
European plan (EP)	Rooms only, no meals
Continental plan (CP)	Continental breakfast (juice, coffee, roll, pastry) included in the room price
Modified American plan (MAP)	Continental or full breakfast and dinner included in the room price
American plan (AP)	Continental or full breakfast, lunch, and dinner included in the room price

The three time-honored standbys for rating lodging properties are the Michelin Guide (started in 1900), the Forbes Travel Guide (started as the Mobil Travel Guide in 1958), and the AAA Guide (started in 1963). All of these rating organizations use standardized rubrics and annual visits by anonymous inspectors to classify properties.

## Lodging Lexicon

Some lodging terminology (see Table 7.5) is very specific and may sound almost like a foreign language the first time you hear it. For example, terms such as *occupancy rates*, *average daily rates*, *RevPAR* (revenue per available room), and *RevPAC* (revenue per available customer) carry specific meanings and are frequently used to measure financial performance and make comparisons among similar classifications of lodging properties. However, other lodging terminology is more variable and at times causes some confusion. Therefore, it is always advisable to seek clarification when using these terms to ensure effective communications. Figure 7.1 illustrates how some of the more typically used terminology can be applied to a guest room.

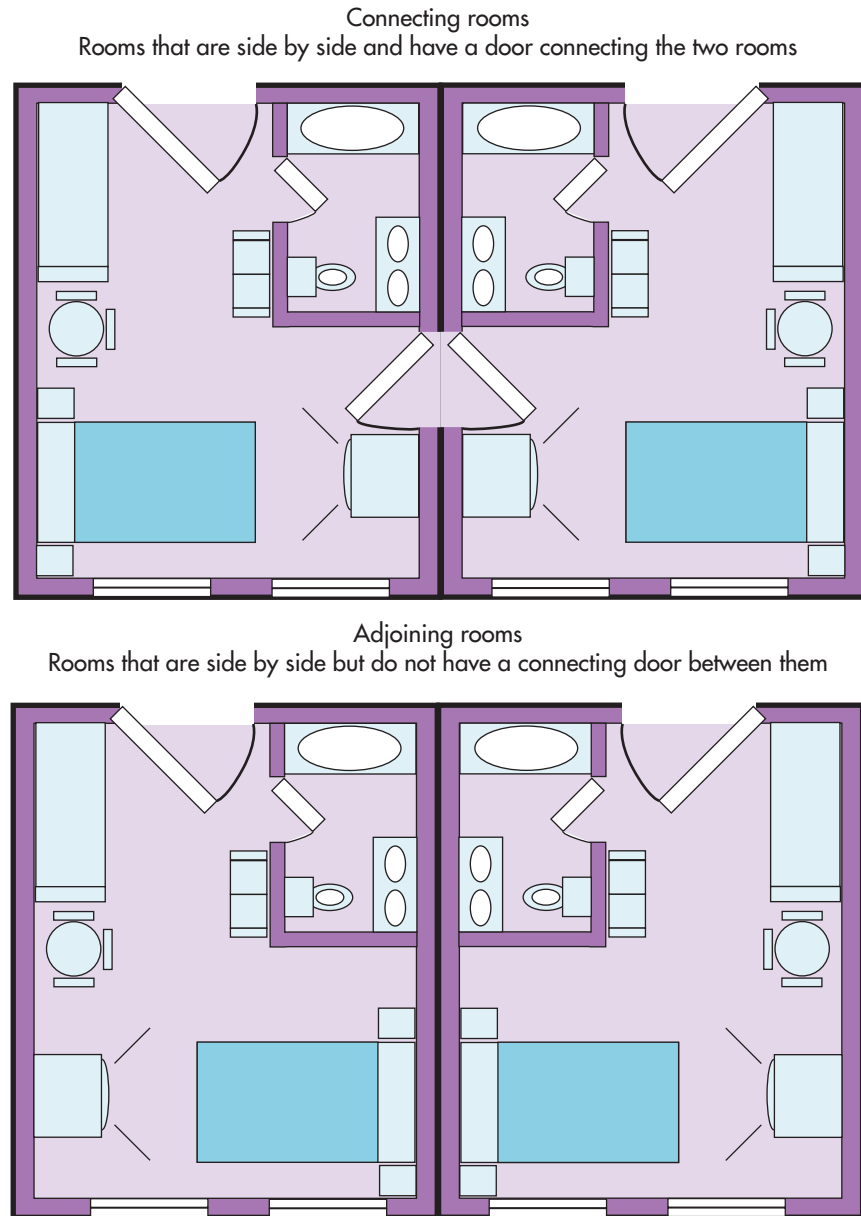
## Operating Structures

Lodging facilities are typically marketed and managed under one of the following ownership patterns: independent properties, franchise properties, management contract properties, or chain properties. With the possible exception of very small **independent properties**, some type of formalized management structure, training programs, property management systems, and standard operating procedures will be found in most lodging properties. Property management systems, as introduced in Chapter 5, manage all of a property's financial reporting and a variety of other tasks such as pricing and travel agent commissions. These tasks are often offered through an Internet platform.<sup>19</sup>

At first, most hotels and motels were operated as independent properties. However, between 1960 and 1990, the trend moved toward **franchise** affiliations and **chain operations**. Today, the trend is for larger properties operated under **management contracts**, although it appears that more and more property managers are once again deciding to go it alone.<sup>20</sup> This trend of lodging corporations moving away from owning real estate assets to franchising or operating under management contracts has continued to accelerate and shows no signs of abating.<sup>21</sup>

**FIGURE 7.1**

Room layouts demonstrating lodging terminology.



## Going It Alone

Independent properties are lodging facilities owned and operated as single units with no chain affiliation or common identification. Managers of independent properties have many of the same advantages and disadvantages as the sole proprietors of B&Bs. They are not bound by corporate policies, so they are free to be creative and respond quickly to the needs of their guests and communities. The price they pay for this freedom, however, is a lack of marketing, management, and financial support and other resources that are typically provided through larger, multiproperty organizations such as franchises or chains. The epitome of these independent hotels is referred to as a *boutique* hotel with unique architecture and décor, offering a high level of service and typically having fewer than 150 rooms.<sup>22</sup> Additional research has suggested that limiting size to 100 rooms, specifying that these properties not be part of a chain and that they must be located in

## FYI AAA HOTEL DIAMOND RATING DEFINITIONS

AAA Diamond ratings for hotels represent a combination of the overall quality, range of facilities, and level of services offered by the property. The descriptive ratings are assigned exclusively to properties that meet and uphold AAA's rigorous Approval standards.

A **Five Diamond hotel** provides ultimate luxury, sophistication and comfort with extraordinary physical

attributes, meticulous personalized service, extensive amenities and impeccable standards of excellence.

A **Four Diamond hotel** is refined and stylish, providing upscale physical attributes, extensive amenities and a high degree of hospitality, service and attention to detail.

A **Three Diamond hotel** is distinguished and multifaceted, providing

enhanced physical attributes, amenities and guest comforts.

A **Two Diamond hotel** provides affordable, modestly enhanced facilities, decor and amenities.

A **One Diamond hotel** is budget-oriented, offering basic comfort and hospitality.

*Source:* © 2017 AAA. All rights reserved.

urban or downtown location would help in identifying which hotels could be considered to be a part of this very special and rapidly growing lodging segment.<sup>23</sup>

## Franchising

Franchise agreements provide owners/operators (franchisees) with the use of a recognized brand name, access to central reservation systems, training programs, documented operating procedures, standardized computer software, quantity purchasing discounts, and technical assistance from the parent company (franchiser) in return for **royalties** and fees. Examples of franchise operating fees and requirements are shown in Table 7.6. In return for the benefits received from the franchiser and in addition to the required franchise fees, franchisees must give up some of their operational flexibility and follow standardized operating procedures (SOP) and purchasing requirements as outlined in the franchise contract.

Although franchising has been favorably received in the United States, it has not been a great success in Europe and it has been even less common in Asia for North

**Table 7.6** Franchise Requirements and Operating Fees

Company	Minimum # of Rooms	Annual Franchise Fee	Marketing/Reservations Fee	Application Fee
Days Inns Worldwide	40	5.5% of revenues	3.8% marketing/reservations	Conversion: greater of \$35,000 or \$350 per room plus \$1,000 application fee; New built: greater of \$36,500 or \$365 per room plus \$1,000 application fee
Hilton		5% of revenues	4% marketing/reservations	\$85,000 minimum
Holiday Inn Express	100	5% of revenues	2.5% of revenues	\$500 per room, \$50,000 minimum
Motel 6	40	4% of revenues	3.5% of revenues	\$25,000
Preferred Hotels & Resorts	100	\$300 per room per year, \$25,000 minimum	\$20,000 per year	\$100 per room, \$20,000 minimum

*Source:* Reprinted with permission by Lodging Hospitality, a Penton Media Publication.

American lodging corporations to distribute their brands through franchising agreements. As hospitality is an important component of the overall lodging product offering, by reading the SOP without fully appreciating and learning the corporate culture, the franchisee will not be able to deliver the spirit of the brand. Developing countries also do not have comprehensive franchise law developed to protect both parties.

## Management Contracts

The idea of operating hotels under management contracts was born in the 1950s with the Caribe Hilton in San Juan, Puerto Rico. “The Puerto Rican government’s development agency wanted a modern hotel to encourage tourism and attract industry. [The government] was so anxious to attract a name brand and the management skills needed that it offered to build, furnish and equip the hotel” (p. 28).<sup>24</sup> Hilton was approached and agreed to market and manage the property under a profit-sharing lease agreement.

Management contracts, like franchises, allow lodging chains to expand aggressively into new markets without having to make capital investments in physical facilities. Under a management contract, hotel operating companies act as agents for the owner of the property. The owner of the property “hires” the operating company to fulfill all of the management and marketing functions needed to run the property. The property owner continues to retain all financial obligations for the property, and the management company is responsible for all operating issues. For their operating expertise, management companies receive a base fee anywhere from slightly under 3% to almost 6% of either total revenues or room revenues. In addition, other fees could be collected, including branding fees, sales and marketing fees, reservation fees, training fees, and incentive payments for achieving a predetermined level of profit. The contracts normally range from 5 to 20 years.

As management contracts have grown in popularity, the structure of these contracts has changed and become more complex. The owners’ needs in the relationship are focused on guaranteed cash flows and while the operators’ needs are focused on assurances of continued benefits from operating the property. “In place of a single document, management contracts now include numerous concurrent agreements that address such matters as real property rights; intellectual property rights; hotels as financial assets; hotels as operating businesses; and the needs of owners, operators, and lenders” (p. 68).<sup>25</sup>

## Chain Operations

*Chain operations* refer to groups of properties that are affiliated with one another and have common ownership and/or management control and oversight. Chain operations can be created in a variety of different ways. For example, many chains such as Interstate Hotels & Resorts and John Q. Hammonds Hotels and Resorts have been developed using franchise agreements or management contracts. In other cases, such as Walt Disney Resorts, all properties within the chain are owned and managed by a single company. However, the most common structure is a blend of ownership, management contracts, and franchises, which is used by companies such as InterContinental Hotels, Marriott International, and Millennium & Copthorne Hotels.

Parent companies may own, franchise, or contract to manage any or all of the properties they operate. Interstate Hotels & Resorts provides an interesting example of how these combinations can be put together. Interstate operates franchises under the Marriott, Hilton, Westin, and Hampton names as well as other properties under management contracts. The use of different brand names allows Interstate to target travelers in a variety of market segments.

Chain operations provide many management, marketing, and financial benefits. These benefits include increased purchasing power, lower costs of operations, common signage and advertising, expanded access to centralized reservation systems,



and greater support from professional staff functions such as sales and marketing, finance and accounting, and human resource management. Marketing synergies are also gained through shared database information on customer preferences and usage patterns, providing opportunities for cross-selling brands.

## Strength in Numbers

Can property owners retain operating autonomy and still reap some of the benefits that go along with franchise affiliations or chain ownership? This question may seem like asking for the best of both worlds, but the answer is yes. Membership in referral associations allows property owners to “go it alone” and still share the benefits that come from “strength in numbers.”

Referral associations come in all sizes, meeting many different marketing needs. You may already be familiar with Best Western, but not Utell. Best Western claims more than 4,000 properties in over 80 countries; the Best Western logo can be found on all types of properties ranging from airport and convention center hotels to roadside motels and resorts.<sup>26</sup> In contrast, Utell is less well known but represents over 6,400 properties linked to over 450,000 travel agent terminals worldwide. Whereas some referral organizations such as REZolutions, Inc. serve a wide variety of properties, others such as the Historic Hotels of America Association and Preferred Hotels and Resorts Worldwide serve the needs of property owners catering to specific market niches.

There is no need for members to meet standardized design specifications or change time-tested operating procedures. In fact, membership requirements are straightforward and the benefits can be numerous. After meeting established quality standards and paying an initiation fee, the benefits can begin. The marketing power of instant name recognition through coordinated marketing campaigns, a centralized reservation system, and widely distributed membership directories are just the beginning. Additional benefits can come in the form of cooperative purchasing agreements, access to training information, and the ability to share ideas with other property managers.

## It All Begins with Marketing

Lodging properties rely on a steady flow of new and repeat guests to remain financially healthy. Even before a property opens for business, sales and marketing efforts often begin and should never end. These efforts may range from simply operating under a recognized brand name and a reservation system to a complete in-house staff dedicated to selling and marketing an individual property or an entire chain of properties. No matter how simple or complex the marketing effort, the ultimate goal is to attract future bookings of both individual and group business.

To generate reservations, hotels have a variety of options. Think back to Chapter 4 and the channels of distribution we presented. Hotel reservations can be made directly by travelers or via travel agents or through other intermediaries such as tour operators. For example, you might pick up the phone and call your hotel of choice directly or click on a website to book a room. Or you could stop in and see your travel agent who could use her GDS to reserve your room. If you were attending a large convention, you might contact the convention and visitors bureau or a convention housing services firm to reserve your room. Table 7.7 provides a list of many of the sources used by hotels to fill their rooms.

## Providing a Home Away from Home

Lodging properties are more than just mortar, bricks, and sticks. Once the physical facility has been constructed, a staff must be hired, trained, organized, and motivated

**Table 7.7** Sources of Room Reservations

Proprietary website or mobile app for hotel property or chain
Intermediary websites or mobile app, such as Travelocity and Expedia
Auction-style websites or mobile app, such as Priceline.com
Direct telephone number to the individual property
Central reservation telephone number for the chain or other referral system
Local visitors bureau reservation service telephone number or website
Property or corporate sales staff
Travel agents
Hotel room consolidators such as Hotel Reservations Network
Conventions/other meetings
Presold room blocks through tour operators or preferred partners

to meet guest needs. This task often begins long before reservations are made or guests arrive. Depending on the size of a property, guests may encounter a whole host of service employees.

Too often, employees fail to recognize that they are an important part of these marketing efforts. Just as employees must be trained to deliver high-quality service, they must also be trained to anticipate guest needs and serve as marketing ambassadors. For example, when checking in, guests' comments that they are tired and hungry provide opportunities to recommend room service. Or when checking out, guests who mention that they will be returning in a month provide an opportunity to ask whether they would like to make a reservation now for their next visit.

## Organizing for Success

Basic operating functions that must be performed in all properties include administration (general management), guest contact services (such as front office reception, cashiering, and housekeeping), and guest support services (such as groundskeeping, engineering, and maintenance). In a small motel, inn, or B&B, there may be only one

### TOURISM IN ACTION

#### IT TAKES A TEAM TO CLOSE A SALE

While pleasing owners is the mainstay of the timeshare industry, marketing and sales is the lifeblood of the industry. Reaching the goal of closing the sale on a vacation ownership interest requires a team of people. In order to sell to existing owners and attract new prospects, timeshare companies invest heavily in marketing to attract potential leads. These leads are solicited via company web pages, by mail, on the phone, and in-person at premier vacation locations by an on-the-ground sales force offering incentives or gifts (free night stays, show tickets, attraction tickets, deep discounts at premium restaurants, loyalty points for current owners, etc.) to entice prospects into attending a sales presentation.

Prospects who meet income and employment minimum requirements must attend a "presentation" before these gifts can be obtained. These sales presentations, which many consider to be high pressure, are scheduled in waves (typically 8:30, 11:30, and 1:30), and are made by sales people who operate on a commission basis. Since sales people only earn money when they make a sale and are evaluated on their ability to convert prospects into owners, there is no question that it is a high-pressure job. The sales force is supported by administrative employees at the tour reception desk, gifting desk, contracts and finance department, human resources, and others who are paid on a salaried or hourly basis. Finally, just like any other business, there is a manager or executive who is responsible for the entire operation.

or a few employees performing all of these functions. However, owing to the size and complexity of many lodging properties (some with thousands of rooms and employees), additional managers, support staff, and hourly employees performing a variety of specific functions may also be required to ensure effective and efficient operations.

No matter how large or small the property, the ultimate responsibility for property management remains with the General Manager (GM). GMs hold uniquely important positions, as they are the focal point for employees, guests, and the community. As the top manager of a property, they perform many different but interrelated roles. These roles include providing leadership, working with the community, gathering and distributing information, allocating resources, handling problems, and coordinating a wide variety of activities and functions.

Research continues to confirm the importance of the role of the GM in the successful operation of a hotel; the scope of this role is also changing depending on the type of property being operated. “In many hotels, the GM is an employee of a hotel operating firm and is effectively an agent of the operator or owner (and sometimes both parties). . . . With regard to individual functional areas, chain GMs have relatively greater authority in human resources, marketing, and strategy but limited autonomy in finance and operations” (p. 433).

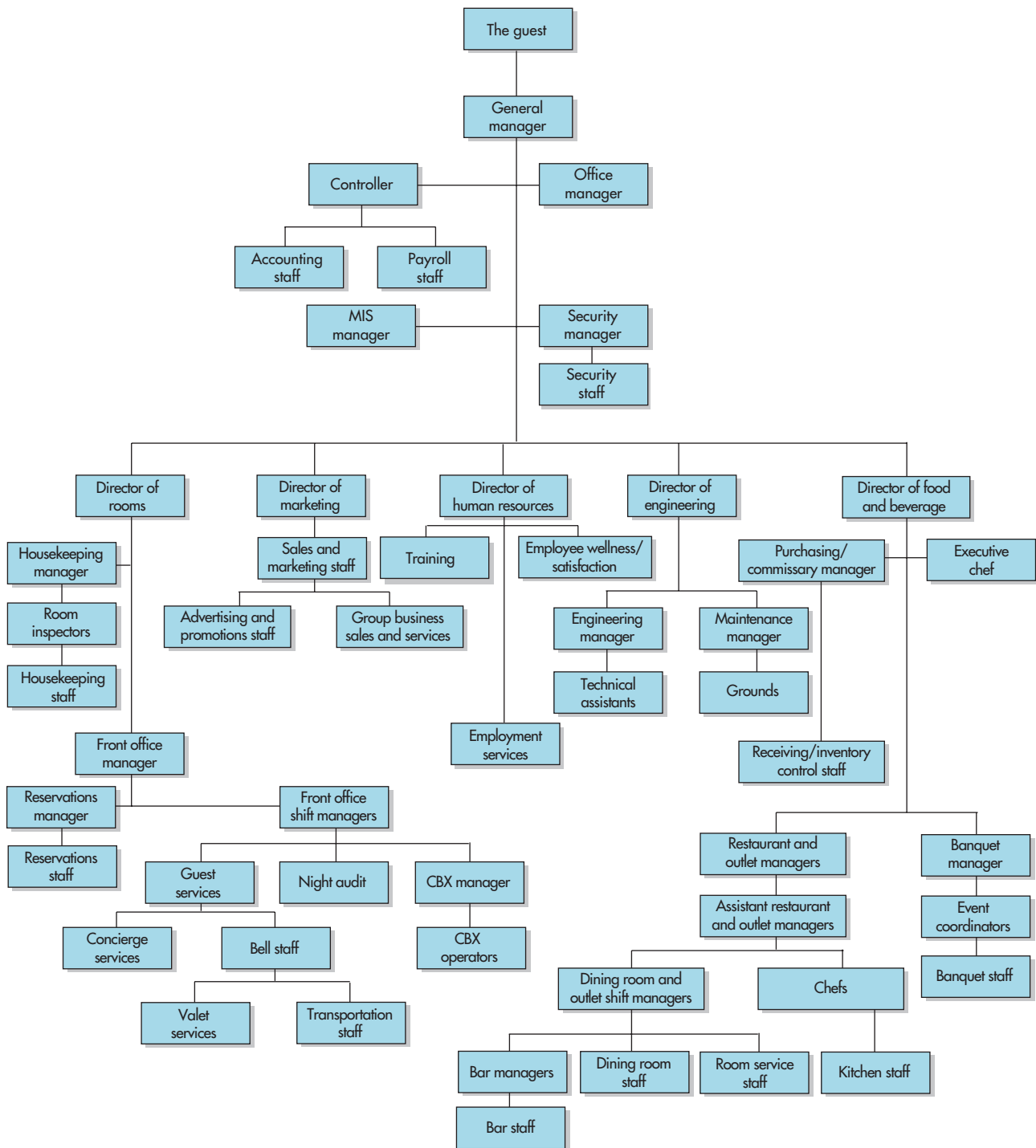
As properties grow, the primary administrative and senior management duties for the revenue-producing activities of the hotel are typically divided between the front office manager, the director of food and beverage, and the director of housekeeping, who report to the general manager. It is also common in larger properties to find the front office manager and the executive housekeeper reporting to the director of rooms. These duties are further divided between front-of-the-house positions (guest contact services) and back-of-the-house positions (guest support services). For all but the smallest properties, front-of-the-house room’s duties are performed in the front office and by guest service employees such as the bell, concierge, and valet parking staff. Back-of-the-house room’s duties are typically performed by the housekeeping department. You will learn more about food and beverage operations in Chapter 8.

Larger and more complex properties will require additional cost center functions such as marketing (sales), accounting (controller), human resource management (HR), information technology (IT), building maintenance (engineering), purchasing, and security services. An example of a traditional organizational structure for a large lodging property can be seen in Figure 7.2. No matter what brand or management structure, “[t]he modern guest is looking for environments that are refreshing, colorful, creative, and connective, not just efficient and tasteful” (p. 22).<sup>27</sup>

## Meeting Guests’ Needs

The front office serves as the “heart” of all lodging properties as well as the first and last point for guest contact. Front office operations are the nerve center and focal point of all guest activities and many employee contacts. Front office employees are charged not only with meeting and greeting guests but also with fielding their inquiries about other available services and serving as the point of exchange for most financial transactions. Other special assistance that may be provided under the direction of the front office includes bell service, concierge service, and valet parking. It is interesting to note that during interviews with hotel guests about delightful experiences, the front office was the most cited service department by both North American and Northern European guests.<sup>28</sup>

A key back-of-the-house guest service support group that is critical to guest satisfaction is housekeeping. In addition to ensuring the cleanliness of all guest facilities, the housekeeping department typically has the largest number of employees in a lodging

**FIGURE 7.2**

A typical lodging property organizational chart.

property. Housekeeping must coordinate its activities very closely with the front office as it maintains the cleanliness and readiness of guest rooms, corridors, and common public areas in addition to managing laundry facilities in many properties. Each time guests check-in, their rooms should appear as if no one else had ever used them. In fact, complaints about housekeeping are the number-one concern for travelers.<sup>29</sup>

## FYI TRADITIONS ARE IMPORTANT

Two important traditions are typically performed when new lodging properties are constructed. First, when the final floor is completed, an evergreen tree is placed on the top of the building. This act signifies that the building will rise no higher. It also symbolically

ties the building safely to the ground through the “roots of the tree.”

The second important tradition is performed when the ceremonial ribbon is cut on opening day. At that time, the key to the front door is symbolically thrown onto the roof because it will

never be used again. This is a symbol signifying that the building is more than just a building. It has become a place that will always be open to those who are seeking a room for the night or more appropriately a “home away from home.”

## Achieving Profitable Operations

The financial performance of lodging properties has been historically cyclical. When the economy grows, the demand for overnight accommodations also tends to grow. This growth results in higher **occupancy rates**, attracting developers who build more properties. This building boom finally slows when the economy softens, causing travel to slow or the supply of new rooms to exceed demand for these rooms. Therefore, construction and pricing decisions should be based on the ability to achieve and exceed **break-even** occupancy levels. To achieve long-term profitability, hotel developers use the following rule of thumb: For every \$1,000 in construction costs, \$1 in room revenue must be achieved.<sup>30</sup> Using this calculation results in a **cost per key** to construct and furnish each room. So, for example, on the average per-room construction cost of approximately \$120,000<sup>31</sup> for a midscale hotel without food and beverage facilities, a room rate of \$120 per night would need to be generated.

Table 7.8 shows the major revenue and expense centers for a full-service 300 room center city hotel with convention facilities.

Additional revenue centers that might be seen for some hotel operations include meeting room revenues, technology revenues, spa revenues, and rental and concession revenues. There are also additional cost centers that may be common for expense reporting including sales and marketing, accounting, purchasing, human resources, and safety and security.

Pricing and occupancy are doubly important to lodging facilities, which are noted for operating on thin profit margins owing to capital and labor intensiveness. Building and equipping a lodging facility is very expensive and requires a long-term commitment of financial resources or capital. Once constructed, the daily, weekly, and monthly costs of providing adequate staffing continue to be incurred.

The rooms side of hotel/motel operations provides the main source of income and operating profits for lodging properties in many countries, typically generating over 60% of revenues and yielding a departmental margin of approximately 70%. A great deal of management and marketing effort is focused on maximizing occupancy levels and room rates by monitoring the rate or pace of future room reservations. To achieve the maximum occupancy at the best price, hotels and motels have relied on establishing several different rates and borrowed the concept of revenue management from the airline industry. These systems help managers achieve the maximum amount of revenue from a variety of available rates. If you were to walk in off the street on a high-demand day, you would probably receive the **rack rate**, the standard and most expensive quoted rate for one night's lodging. However, due to the ease of travelers searching for information on the go, room rates are becoming more transparent. A guest could search the web or use an app to check the rate before walking in to the front desk. Therefore, often the **best available rate (BAR)** is offered to capture the walk-in guest through direct booking.

The rack rate that is offered to transient guests is the most profitable rate for a property. The least profitable are long-term contracts with preferred customers, such as airline crews, that guarantee a minimum number of paid stays per year. These contract rates may



result in prices that are only one-quarter of the rack rate, but hotel operators are willing to forgo higher rates in exchange for guaranteed consistency in occupancy and revenues. For competitive reasons, slight discounts of 10% off the BAR are offered to certain groups of travelers such as senior citizens, club members, and frequent stayers. Because these guests are dealing directly with the hotel or the hotel's central reservations system, the hotel saves on processing costs and commissions that would be paid to a travel agent or other intermediary. Room rates are reduced further when travel agents and tour operators are extended commissions of 20% or more to generate business during slow periods.

Other groups offered prices below rack rates are government employees and convention attendees. Government employees may be offered significant discounts because they frequently are limited in how much they can pay by their *per diem* rates. Conventioneers also receive reduced rates that have been negotiated based on the total volume of business the convention will bring to a property.

**Table 7.8** Prosperity Point Hotel Revenues and Expenses for the Month of March 20xx

Occupied Rooms	Actual	Actual (%)	Budgeted (%)
Available rooms	9,300		
Total occupied rooms	7,403	79.6	80.0
Average rate	\$137.01		
RevPar	\$109.06		
Revenue			
Rooms	\$1,014,285	54.2	46.8
Food	462,183	24.7	27.9
Beverage	338,415	18.1	21.3
Total F & B	800,598	42.7	49.2
Telecommunications	30,428	1.6	2.7
Gift shop	19,247	1.0	0.9
Other income	8,187	0.4	0.4
Total revenue	1,872,745	100.0	100.0
Departmental profit			
Rooms	728,090	71.8	78.1
Food	84,260	18.2	14.7
Beverage	159,055	47.0	48.6
Total F & B	243,315	30.4	29.3
Telecommunications	1,521	5.0	(7.0)
Gift shop	3,465	1.8	.3
Other income	4,667	57.0	57.1
Total departmental profit	981,058	52.4	51.0
Operating expenses			
Administrative and general	162,929	8.7	8.7
Advertising and promotion	74,910	4.0	4.4
Utilities	88,019	4.7	4.6
Maintenance	69,292	3.7	3.2
Total operating expenses	395,150	21.1	20.9
Gross operating profit before interest, taxes, and depreciation	585,908	31.3	31.0

For revenue management systems to work in lodging properties, “the problems of multiple-night stays, the multiplier effect of rooms on other hotel functions (such as food and beverage), the booking lead time for various types of rooms, the lack of a distinct rate structure and decentralized information systems” must all be addressed.<sup>32</sup> Failing to understand and adjust for these multiple variables can lead to the problem of **overbooking**. Even when manual systems are used, overbooking can occur.

Hotels strive to achieve a “perfect sell,” where every available room is sold. To do this the hotel may purposefully reserve more rooms than are available because historic data indicates that a certain percentage of their reservations will get cancelled. It is a gamble for hotels, which sometimes pays off with maximum revenue at 100% occupancy, and sometimes does not when the property is actually overbooked.

When a property is overbooked and everyone holding confirmed reservations shows up, some guests must be relocated or “walked” to other accommodations, which costs money and creates guest dissatisfaction. Because a lodging reservation is a binding contract, lodging property managers should be prepared to provide alternative accommodations free of charge plus transportation and communication allowances when there is “no room at the inn.” It is interesting to note that providing cash-based compensation rather than vouchers in overbooking situations is preferred by customers, but may be more importantly, providing guests any type of over compensation does not result in increased rebooking patronage.<sup>33</sup>

The availability of comparable hotels in the area will dictate whether a property practices a strategy of reserving more rooms than it has available. In some areas there will be a variety of accommodation options making it possible to walk guests, while in other areas there may only be one hotel and walking a guest is not a viable option. Even in the case of a hotel that does not purposefully reserve more rooms than it has, sometimes there could be a maintenance issue that puts a room out of order and the hotel still may find itself in an overbooked situation and faced with the dilemma of having to walk a guest.

Even though properties may grow in size and complexity, the basic business operations remain the same. Providing accommodations to the traveling public continues to be a 24-hour-a-day, 7-day-a-week task that demands dedication to detail and a strong desire to welcome and serve each guest as if that guest were the first and most important person of the day.

## FYI CHECKOUT PENALTIES

If you’ve made a reservation with a major hotel chain such as Hilton, Hyatt, or Westin for three days and decide to checkout after the second day, don’t be

surprised to find a \$25 penalty added to your bill. In an attempt to control room availability and better serve their guests, these and many other hotel

chains are adding a checkout penalty when guests fail to honor the full length of their reservations.

## Summary

Accommodations create temporary living quarters for guests through a variety of sources, including B&B, private accommodations, condominium properties, timeshares, conference centers, hotels, motels, RV parks, and campgrounds. Lodging properties, which provide the bulk of overnight accommodations, can be traced to biblical times but did not develop into a significant segment of the tourism industry until rail and oceangoing transportation systems improved and automobile travel became convenient and popular.

Growth in the number of lodging facilities has resulted in the development of several classification schemes that can be used for reporting and comparison purposes. These classification schemes show that lodging facilities come in many sizes and types and therefore require varying levels of staffing and managerial expertise for successful operations. Basic functions that must be performed in all lodging properties include administration, front office, housekeeping, and maintenance.

The necessary staffing requirements of properties change as they grow in size and complexity. Additional line functions such as food and beverage and support staff functions such as accounting, engineering, human resource management, security, and purchasing are added as needed. Because some of the terminology concerning lodging and other accommodation facilities is often loosely used, it is important to seek clarification when talking with guests or other individuals in these establishments.

Providing accommodations to the traveling public requires training, dedication to detail, and a strong desire to

welcome and serve each guest. To meet and serve the diverse needs of travelers, a wide variety of accommodations has been developed. Although much of our attention has been devoted to lodging properties, other specialized forms of accommodations such as campgrounds and RV parks can significantly increase the number of guests who can be served in any one location.

The statement, “Come in; please be my guest,” is more than just words. It is both an invitation and a statement of dedication to provide hospitality to the weary traveler.

## You Decide

“It just doesn’t make any sense, Nancy. We’ve been underbid on four of our last five convention proposals. Worse yet, each time we’ve been underbid, it’s been by the City Center Hotel, and they’ve beat us out by almost 5% on the total value of the contract.

I want some answers before we submit another bid. It seems to me that we are either totally out of touch with the realities of our marketplace or there are some serious operational problems in your office.”

As a downtown hotel that targeted business travelers and convention business, the Forest Park Hotel had traditionally been very successful in following up and capturing its fair share of leads that were developed by the local convention and visitors bureau. Because of these past successes, Rich Edwards, general manager of the hotel, was particularly disturbed by the failure of Nancy Peak, director of sales, in securing some key convention groups for the hotel.

A heated meeting with Rich was always an uncomfortable situation, but Nancy was particularly troubled by this encounter because she had no immediate answers. After an early-morning conference with her sales staff, she was confident they could find the cause of the bidding failures.

Less than two weeks had passed when Harvey Zoller sheepishly walked into Nancy’s office. He said that he felt

he may have found the source of the bidding problem. He had been tossing draft copies of his estimates and proposals into the trash. Somehow, these papers must have been finding their way into the hands of the City Center Hotel employees, because there were suspicious parallels between the contract proposals he had developed and the final bid proposals submitted by the City Center Hotel.

After a thorough investigation, Nancy concluded that although disposal procedures were normal, they were inadequate in this situation. Further investigation confirmed that the night custodians working for a contract-cleaning firm had been taking discarded worksheets and proposals from the office wastebaskets. Nancy reported her finding to Rich and assured him that adequate control procedures had been implemented to prevent future problems.

However, Nancy failed to tell Rich that she had instructed Harvey to create fictitious worksheets and proposals to be discarded on a current bid proposal. A few weeks later, Nancy was informed that Forest Park Hotel’s bid had been accepted and it would serve as the host hotel. She felt that it was poetic justice that the bid proposal submitted by the City Center Hotel had been 5% less than the fictitious work discarded by Harvey but 2% over the actual bid she had submitted. Did Nancy make the right decision?

## Net Tour

To get you started on exploring Internet links for this chapter, please see

[www.arda.org](http://www.arda.org)  
[www.Marriott.com](http://www.Marriott.com)  
[www.ahma.com](http://www.ahma.com)  
[www.iacconline.org/](http://www.iacconline.org/)  
[www.rci.com/rci/](http://www.rci.com/rci/)

[www.boutiquelodgingassociation.org/](http://www.boutiquelodgingassociation.org/)  
[www.bandbassociation.org/](http://www.bandbassociation.org/)  
[www.preferredhotels.com/](http://www.preferredhotels.com/)  
[www.hsmai.org/](http://www.hsmai.org/)  
[www.str.com/](http://www.str.com/)  
[www.experienceispa.com/](http://www.experienceispa.com/)

## Discussion Questions

1. Identify and describe each of the major types of accommodations.
2. Explain how timeshares (vacation ownerships) operate.
3. Describe the differences among independent, franchise, management contract, and chain properties.
4. Explain the importance of this statement: “It all begins with marketing.”
5. Identify and describe key front-of-the-house and back-of-the-house functions.
6. Describe how different rates can affect hotel revenues.

## Applying the Concepts

1. Although several hotel pioneers were mentioned in this chapter, there are many other individuals who have had a significant influence on the lodging industry. After selecting or being assigned one of these pioneers, briefly describe the contributions that person made to the industry.
2. Arrange to visit a lodging property and schedule an interview with the manager. Your interview should include questions about how the property is marketed, what types of standard operating procedures are followed, and how financial performance is measured.
3. Select one of the hotel management companies listed in this chapter. Using your local library or other sources, list the sizes (number of rooms) and brand names of properties this company manages.
4. Choose four different lodging properties in your area. Based on your knowledge of these properties, assign a classification or rating based on the standardized system described in this chapter. Provide a brief rationale for why you arrived at each of your decisions.
5. Visit a B&B or a boutique hotel in your area. Alternatively, do a virtual visit online. Summarize your impression of the property and differences from a traditional hotel.
6. Identify someone who owns a timeshare through your family connection, or neighbors and friends. Talk to the person and find out why he/she purchased the timeshare, and identify his/her usage patterns.

## Glossary

**Accommodations** Loosely defined as establishments engaged primarily in providing lodging space to the general public.

**Amenities** Goods and services provided with accommodations that contribute to guest comfort.

**Benchmarks** Performance measures that are used by similar types of businesses to monitor key operations.

**Best available rate (BAR)** A guaranteed price that the guest is quoted the lowest available rate for a night's stay.

**Booking** A reservation.

**Break-even** The level at which total sales equals total costs.

**Chain operations** Groups of properties that are affiliated with one another and have common ownership and/or management control and oversight.

**Concierge services** Services provided by employees who specialize in meeting the special requests of guests and provide guest services such as making reservations and supplying information.

**Cost per key** Cost to construct and furnish each hotel room.

**Fee simple** Right of ownership evidenced by the transfer of a certificate of title. The buyer has the right to sell, lease, or bequeath the property or interest (as in a timeshare).

**Franchise** A contractual agreement providing for the use of a recognized brand name, access to a central reservation system, training, documented operating procedures, quantity purchasing discounts, and technical assistance in return for royalties and fees.

**Independent properties** Facilities that are owned and operated as single units with no chain affiliation or common identification.

**Lodging** Facilities designed and operated for the purpose of providing travelers with a temporary place to stay.

**Management contracts** Operating agreements with management companies to conduct day-to-day operations for a specific property or properties.

**Occupancy rate** Ratio comparing the total number of rooms occupied for a given time period to the total number of rooms available for rent.

**Overbooking** Confirming more reservations for rooms than can be provided during a specified time period.

**Pension** A small inn or boarding house similar to a B&B.

**Per diem** Maximum travel expense amount that will be reimbursed on a per day basis.

**Properties** Individual accommodations and lodging facilities.

**Rack rate** The standard quoted rate for one night's lodging.

**Referral organizations** Associations formed to conduct advertising and marketing programs and generate reservations and referrals for member properties.

**Rental pools** Groups of condominium units that are released by their owners for rental purposes and are managed by lodging companies.

**Right-to-use** A type of lease in which legal title does not pass to the buyer. The buyer has the right to occupy and utilize the facilities for a particular time period.

**Royalties** Payment (usually a percentage of sales) for the use of a franchiser's brand name and operating systems.

**Timeshare** Either ownership or the right to occupy and use a vacation home for a specific period of time.

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# CHAPTER 8

## Food and Beverage

*There is no love sincerer than the love of food.*

—GEORGE BERNARD SHAW

### LEARNING OBJECTIVES

**After you have read this chapter, you should be able to:**

1. Explain how travel and other events in history have influenced the growth and acceptance of different foods and beverages.
2. Discuss the impact of science and technology on foods and beverages.
3. Explain the importance of rhythm, timing, and flow in foodservice operations.
4. Discuss the importance of a menu and its impact on production and service delivery.
5. Identify the important operational and financial concerns faced by foodservice managers.
6. Describe how foods and beverages can add value to other tourism services.

### CHAPTER OUTLINE

#### Sometimes It's More Difficult Than It Seems Introduction

#### Major Influences on the Development of Food and Beverage Services

Travel and Discovery  
Science and Technology

#### Building a Culinary Heritage

The Beginnings of Modern Foodservice Practices  
Planning to Meet Guest Expectations  
It All Comes Down to Rhythm, Timing, and Flow  
Adding Value to Food and Beverage Experiences  
From Ten to Ten Thousand

#### Building Profitable Operations

Balancing Payroll Costs with Productivity  
Food Quality and Food Costs Are the Results of  
Effective Purchasing

#### An Ounce of Prevention Is Worth a Pound of Cure

#### Beverages

Beverage Operations  
Keeping Spirits Under Control  
Coffee, Tea, Or?

#### Summary

#### You Decide

#### Net Tour

#### Discussion Questions

#### Applying the Concepts

#### Glossary

#### References

## Sometimes It's More Difficult Than It Seems

What had begun as an exciting sale soon turned into an important learning experience. It was Carrie's first big sale and she could hardly contain her excitement. As the newest employee on the catering and sales staff at the River Front Hotel, she was anxious to pull her weight and be a productive member of the team.

After dealing with several small groups, Carrie had been assigned to work with Marge Lundstrum of Getaway Tours. Marge had already reserved space for a lunch stopover on their Fall Foliage Tour, and the only remaining detail was to select a menu. After a few qualifying questions, Carrie learned that there would be three busloads consisting of 125 to 150 older men and women.

Marge said that they had been served chicken salad in pineapple boats their last two fall seasons, but this time they wanted something different. She also stated that they didn't want to spend much more than they had in the past. Following a brief discussion, Carrie and Marge decided on bacon, lettuce, and tomato sandwiches (BLTs) with garnish to be accompanied by a fruit salad with poppy seed dressing.

As Carrie reviewed the proposed menu at the weekly staff meeting, the food and beverage (F&B) director, Martin Yantis, listened in disbelief. The thought of toasting 450 slices of bread would prove to be a logistical nightmare with the other daily activities taking place in the kitchen.

Although Martin thought about having Carrie call Marge to offer her some other alternatives that would be just as appealing and easier to prepare, he decided to turn this potential problem into a learning experience. On the day of the luncheon, Carrie was given the opportunity to work with the preparation staff in the kitchen.

She soon discovered how difficult it was to make so many BLTs. Carrie learned that preparing and serving large meal functions required a team effort and consideration of the physical and human capabilities of the kitchen and staff. Carrie now knew her job was more than just sales and decided to learn more about all of the different aspects of F&B marketing, management, and finance.



*Open kitchens can add value to the dining experience.* Photo courtesy of Kowloon Shangri-La, Hong Kong

## Introduction

Just think of the lasting memories and friendships that you have developed while sharing your favorite foods and drinks. As we learned in Chapter 2, all of us share some of the same needs. Foods and beverages are not only instrumental in filling a number of basic human needs, but they also fill special tourism needs. **Culinary tours** have recently emerged as a significant component of the overall tourism industry. Research has shown that **culinary tourists**, those who travel to participate in cooking classes, dine out in unique locations, sample wines, and attend food festivals and farmers' markets, are younger, better educated, and more affluent than other travelers.<sup>1</sup>

Meeting the needs of these special travelers as well as those seeking to fulfill basic physiological and social needs creates a variety of opportunities for tourism service providers to satisfy their guests and build lasting relationships. If a country would like to better promote its culinary tourism, photos and written descriptions really help online visitors to access the contents and topics in which they are the most interested. An analysis of government websites found that the website dimensions most essential for the promotion of culinary tourism to be “Cuisine and Food Culture,” “Featured Foods & Recipes,” “Table Manners,” “Culinary Tourism,” “Restaurant Certification,” and “Restaurant Guides.”<sup>2</sup>

Tourists provide an important source of revenue to many, but not all, foodservice operations. “Roughly half of all travelers report that they dine out when they travel, and that doing so is the most important activity planned after tourists arrive at a destination.”<sup>3</sup> On average, tourists spend about 25% of their total travel expenditure on foodservices, more than their spending on public transportation, lodging, and other tourism services.<sup>4</sup> Some operations such as Hard Rock Café and Bubba Gump Shrimp Company Restaurant and Market rely on a steady stream of tourist traffic, whereas others cater mainly to local clientele. Location and target segments will determine the relative importance of tourists versus local patronage in an operation's financial success. Research has shown that foodservice providers attempting to cater to tourists can target marketing efforts to one or more of the following segments based on what they are seeking: value, service, adventure, atmosphere and/or health.<sup>5</sup>

Because F&B experiences are very personal, the thought of pleasing all these different tastes may seem like a difficult task. What may be pleasing and desirable to you may be completely unappealing to someone else. The good news is that there are fundamentals that can be followed to provide successful F&B services. In this chapter, you will learn about these principles as well as some of the marketing, management, and financial decisions that combine to create the dynamic and fast-paced working environment of F&B operations.

## Major Influences on the Development of Food and Beverage Services

We can trace the most important influences on the development of foods and beverages to travel experiences and innovations in science and technology. Throughout history, travel has introduced visitors to new tastes, and these discoveries continue today. Visiting new locations allows us to enjoy unfamiliar foods. It also allows us to expand our understanding and appreciation of new cultures, ceremonies, and traditions. In fact, throughout history, foods and beverages have often been at the center of social gatherings and celebrations.

### Travel and Discovery

The quest to explore and conquer new lands that encouraged early travel also led to the spread of different F&B offerings. The importance of foods and beverages to the development of travel and tourism can be seen all the way from the expansion and conquests of the Greek and Roman Empires to the travels of Marco Polo.

Precious metals and land were not the only treasures sought by these early adventurers—so, too, were flavorful spices and herbs. The Greeks brought home food-related “treasures” from their travels in Egypt, Persia, Babylon, and India. These **culinary** treasures were later passed on to the Romans. In fact, at the height of the Roman Empire, the typical Roman cook was a male slave brought from overthrown Greece, where cooking skills and **cuisine** were highly developed. The Romans’ appetites for pleasurable indulgences placed these cooks in high demand and raised the status of cooking to an art form.<sup>6</sup>

As the world moved into the so-called Dark Ages, travel began to diminish. The art of cooking, however, was preserved during this period because most of the rich cooking styles and the books that discussed foods and beverages were guarded in monasteries. Outside monastery walls, people continued to prepare rough, simple dishes that had been passed down unchanged for generations. The revival of travel by the wealthy during the Grand Tour Era after the end of the Middle Ages had a significant impact on foods and beverages. When the noble classes began to expand their travels into new territories, they encountered and brought home many new foods, beverages, and methods of preparation.<sup>7</sup>

As Europeans began to travel to the Americas and West Indies, they returned with many native foods from those regions such as chocolate, chilies, beans, corn, tomatoes, and potatoes. Some of these items were initially avoided and treated with suspicion because they looked different and were often regarded as poisonous. Through the efforts of pioneers such as French agronomist Antoine-August Parmentier and American scientist George Washington Carver, deep-seated fears and misconceptions about different foods were dispelled. Parmentier successfully spearheaded a campaign begun in 1774 that made potatoes a staple on the French dinner table.<sup>6</sup> Research efforts led by Carver resulted in over 300 products including cheese, milk, flour, and coffee made from peanuts.

Once people began emigrating from Europe to the “New Worlds” of North America, they brought along their favorite drinks, breads, desserts, herbs, spices, and fruits. These old favorites were combined with new foods, creating distinctive regional cuisines from New England clam chowder to hominy grits. Now, in the 21st century, the majority of people in industrialized countries can afford to travel for pleasure and, through tourism, enjoy new foods and dining experiences. These experiences continue to influence the development of menus and service styles for F&B operations as international and regional cuisines are blended together.

In the same way that travel has driven their development, foods and beverages now drive many travel choices, especially food-themed travel choices. F&B events attract tourists in increasing numbers to resorts, festivals, theme parks, casinos, and many other destinations. For example, travelers come from all over the world to enjoy the sights, sounds, and delights of Oktoberfest celebrations throughout Germany or Fiesta Days in San Antonio, Texas. In fact, pleasant memories of foods and beverages enjoyed as part of a trip often linger and are remembered more often than any other part of the travel experience.<sup>8,9</sup> Just as travel and the quest for new experiences have awakened our taste buds, science and technology have continued to advance, so we can enjoy these newfound treats wherever and whenever we desire.

## Science and Technology

Now more than ever before, F&B professionals can deliver on the promise “your wish is my command.” If a meeting planner wants to arrange a closing celebration banquet for a sales conference in Arizona in January with live lobster and fresh corn on the cob, no problem! Scientific advances and new technologies have made it possible to transport highly perishable foods safely over great distances. Products such as strawberries and asparagus can now be enjoyed anywhere and at any time of the year. Advances in farm technology have increased the quantity, quality, variety, and availability of foods, expanding menu choices all over the world. For example, **aquaculture** now brings high-quality seafood such as shrimp, salmon, and oysters to the kitchens of the world 365 days a year.

**TOURISM IN ACTION****WINE TOURISM**

Wine tasting trips offer so many benefits, but one really does need a designated driver to enjoy them all. There are several ways to travel from winery to winery without driving while intoxicated worries: chauffeured limousine, bus tour, or cruise. CRUISE? Yes, cruise. Because wineries tend to be located along rivers, two American cruise companies offer small-ship itineraries through Napa Valley. *American Safari Cruises* provides a luxury cruise from San Francisco upriver on its 22-passenger yacht. CruiseWest offers a similar route aboard its 102-passenger *Spirit of Endeavor*. What a way to go!

Refrigeration and freezing technologies, along with the use of irradiation,<sup>10</sup> also allow foods to be stored longer and transported over greater distances without affecting quality. Continuing technological advances have also led to an array of computerized equipment such as internal temperature probes, which can be accurately programmed to regulate oven cooking and holding temperatures. These advances ensure the greatest **yields** and the highest-quality food products. In addition, information and new ideas about F&B preparation and presentation are now freely shared. Featured food sections in magazines and newspapers, special television programs, attractive websites, professional publications, and a cable channel dedicated to food have heightened both awareness and appreciation of this segment of the tourism industry.

**Building a Culinary Heritage**

Creating the foods we enjoy involves a combination of technology, science, and a great deal of culinary and service talent. This talent can be found in many different types of F&B operations. The most common are commercial restaurants serving the general public and travelers who dine for reasons that range from need and convenience to entertainment and pleasure. Commercial restaurant operations vary all the way from fast-food (quick service) and take-out to elegant, full-service, sit-down operations. Whereas restaurants are the most typical F&B operation, they represent only one of many types of F&B services. Others can be classified into employee food service, recreational food service, transportation food service, lodging properties, banquet/meeting and catering facilities, and institutional foodservice establishments. Most of these foodservice operations touch travel and tourism in some way.

**The Beginnings of Modern Foodservice Practices**

Independent eating and drinking establishments were the first F&B operations to evolve, and today, they still generate the majority of all F&B revenues. It all began in Paris, way back in 1765, when Monsieur Boulanger served a typical peasant's dish: sheep's feet (also known as trotters) in a white sauce as a restorative along with ales in his tavern. In fact, the word *restaurant* comes from the French word *restorante*, which means "restorative." Tavern keepers in Boulanger's time were limited to serving beers and ales only in accordance with the controls imposed by the medieval guild system. These controls were designed to maintain standards and restrict competition. Because Boulanger was limited by law to serving beers and ales only, he was brought to court to stop the practice of serving food in his tavern. He won the case and the rest is history; the door was opened for restaurants to serve food and drink together.

The French Revolution marked another important milestone in the growth of these new eating establishments. Chefs, who had previously worked for the monarchy or nobility under the constant threat of losing their heads in the guillotine, fled to the countryside and opened restaurants.<sup>11</sup>



## FYI TAPAS

It will always be difficult to categorize every type of foodservice operation. Differences arise owing to variations in service goals, the number and profiles of people served, menus, atmosphere, seasons, and production techniques. One example of a unique type of foodservice operation that originated in

Spain is a tapas bar or café. The service goal of these operations is to provide guests with a wide variety of foods in appetizer portions. They are most commonly found in the heart of theater districts, restaurant groupings, and other areas of a city where late-night activity thrives. A tapas kitchen will often stay

open much later than other foodservice operations. Tapas bars also serve as a meeting place for guests wanting a drink and an appetizer before going elsewhere to dine. Because of this practice, tapas bars often thrive when surrounded by restaurants.

Foodservice operations have come a long way from the pioneering days of Monsieur Boulanger. As societal norms, customs, and economies evolved, so, too, did the entire F&B industry. The first disciplined approach to the culinary arts was captured through the grande cuisine instituted by Marie-Antoine Carême. His cooking style, along with recipes describing dishes and sauces of the grande cuisine, were collected and published in *La Cuisine Classique* (1856) and other books that followed. Although these books were popular in the kitchens of the nobility, they were slow in finding their way into the fledgling restaurants, which offered a simple *table d'hôte*. This type of menu provided little if any choice. Carême's grande cuisine created a new style of service and range of menu choices. Menus expanded through the offering of a "carte" or list of suggestions, giving rise to the *à la carte* restaurant.

The next major step in the development of modern foodservice operations was marked by the opening of the Savoy Hotel. It opened in London in 1898 under the direction of Caesar Ritz and George Auguste Escoffier. Grande cuisine was still the exception, but it was embraced by these two foodservice pioneers who ensured that their *à la carte* presentations were an event. Diners enjoyed the best of food and service as well as the ambiance of elegant surroundings.

Escoffier was the most famous chef of his day and is considered by many to be the father of modern-day chefs. Escoffier revolutionized the methods of food service and kitchen organization during his years of managing the kitchens at the Savoy and later the Carlton Hotel. He expanded and refined the idea of *à la carte* service by establishing carefully planned sequences of courses. For example, a typical sequence of courses for today's full-service casual American-style restaurant might start with an appetizer and then be followed by soup, salad, entrée, and dessert.

Escoffier also reorganized tasks and activities in the kitchen, eliminating duplication of effort and improving efficiency in operations by creating and defining the work of *stations*. More than anyone else, Escoffier helped to focus foodservice providers on the important task of catering to guests' needs and desires by making dining a memorable experience. This was only the beginning, as others contributed to the constantly evolving developments in foods and beverages. Table 8.1 traces the historic evolution of foods and preparation methods from the Egyptian Kingdoms to Ray Kroc's brainchild, McDonald's.

## Planning to Meet Guest Expectations

Foodservice operators are not simply in the business of providing foods and beverages; they are in the business of creating guest enjoyment. Achieving this goal requires attention to detail and preparation that begins well in advance of welcoming the first guest. The guest experience is determined by a variety of interrelated factors from menu design and place settings to *plate presentation* and style of service. Each

**Table 8.1** A Food and Beverage Timeline

4850 B.C.–715 B.C.	Egyptian kingdoms—travel became popular; people sought new foods and experiences.
900 B.C.–200 B.C.	Greek Empire—Greeks traveled to Egypt, India, Persia, and Babylon and brought back knowledge of various cooking methods.
500 B.C.–A.D. 300	Roman Empire—Romans conquered the Greeks, bringing back Greek slaves and their knowledge of food and preparations. The Romans' appetite for indulgence elevated cooking to the status of an art form.
5th–14th centuries	Dark Ages—travel all but disappeared; the spread of cooking knowledge and skills stopped and even began to diminish.
A.D. 1275–A.D. 1295	Travels of Marco Polo to the Middle East and China brought spicy new “treasures” such as salt and pepper to Europe, renewing interest in travel, trade, and desire to discover new foods.
14th–16th centuries	Catherine de Medici, an Italian princess who married a French prince, introduced etiquette such as the use of a fork and napkin as well as the Italian Florentine style of cooking.
16th–17th centuries	European travel to the Americas and West Indies added new foods such as chocolate, chilies, beans, corn, tomatoes, and potatoes.
	Ann of Austria, a member of the Spanish Hapsburg family, married Louis XIII. Her Spanish chefs introduced sauce espagnol and the use of roux as a thickener for sauces.
1651	Pierre Francois de la Varenne published the first cookbook, <i>Le Vrai Cuisinier François</i> , which detailed the cooking practices of the French nobility.
1765	M. Boulanger, a Paris tavern keeper, started the first restaurant.
1789–1799	The French Revolution—chefs who were classically trained and had worked in royal households began to work for wealthy “nonnoble” families. The exchange between classically trained chefs and domestic chefs produced a number of culinary innovations and refinements.
1856	Marie-Antoine Carême established the grande cuisine and published <i>La Cuisine Classique</i> , systematizing culinary techniques.
1898	The Savoy Hotel opened in London under the direction of Caesar Ritz and George Auguste Escoffier.
19th–20th centuries	George Auguste Escoffier introduced the “brigade system.”
	Soldiers returned from each of the world wars with appetites for the traditional foods of Italy, Germany, France, and Asia.
1955	Ray Kroc opened the first McDonald's revolutionizing ideas about franchising and customer service.
1970s	Chef and restaurateur Fernand Point of La Pyramide in France developed nouvelle cuisine.

*Sources:* Based on Labensky, S. R., Hause, A. M., Labensky, S. R., and Martel, P. (2007). *On cooking: A textbook of culinary fundamentals* (4th ed.). Upper Saddle River, NJ: Prentice Hall, Inc.; The Culinary Institute of America. (2006).

of these factors plays a significant role in achieving guest satisfaction and must be made within the physical and human constraints of the operation. Issues such as size of storage areas, production and service areas, types of equipment, and the capabilities of preparation, production, and service personnel must all be considered.

Armed with an understanding of these constraints and capabilities, the first step in preparing to welcome guests is designing the menu. Effective menu design begins with identifying target segments and planning to meet their desires. This requires asking some basic questions. What image should foodservice operations support? How many items should be offered on the menu? How diversified should the offerings be and how seasonal should they be? What impact will different menu items have on preparation, production, presentation, sales, service, and profitability?

The answers to these questions may result in a variety of menu offerings and styles of service ranging from quick-service snacks to full-service formal dining. In two studies, researchers found that, “Placing menu items at the beginning or end of their



*Tapas bars fill a unique food service niche.* Photo by Cathy Hsu

category increases their popularity by about 20% (namely the gain from 45% of the time when an item appeared in the middle of its category to 55% of the time when it appeared at one of the ends of its category)” (p. 339).<sup>12</sup>

The second step involves the design and presentation of the menu itself. Seemingly simple things such as deciding what type of menu board should be placed above an ordering station or selecting the paper stock, graphics, color, font, and layout of a menu take on new importance. These decisions communicate an image to guests even before the food is presented.<sup>13</sup> A theme-park guest wanting a restful break will have different expectations than a businessperson on an expense account entertaining clients. The design and presentation of the menu sets the stage for the next important decisions.

The third step involves a variety of decisions that range from selecting service ware to designing place settings. These decisions may be driven by the functional demands of serving as many guests as inexpensively as possible or a desire to create an aesthetically pleasing atmosphere. Plastic or paper with self-service areas for condiments may be the best selection for guests in a hurry, but the same choice would not be suitable in a fine-dining situation.

Designing the actual plate presentation is the fourth and possibly most artistic step in the process. Attention to detail in the previous steps comes to life when guests receive their selections. Once the order is delivered, whether hot dogs and fries or cha-teaubriand, the eyes always take the first taste. Even with simple dishes, the presentation should be designed to fill our senses through a thoughtful combination of

- color,
- texture,
- shape,
- aroma, and
- arrangement.

Think for a moment about how many different ways a chicken breast can be prepared and presented. Does your choice encourage the guest to sample and savor or simply eat because it is there and he or she is hungry? In one research study, among six

**FYI    MOBILE FOODSERVICE UNITS**

Hot dog stands have been a part of the New York City street scenes for years. However, we see a growing number of mobile food trucks popping up in major cities in the United States. They provide limited menu items and many of them are specialized in a particular type of food or beverage. Examples include sandwich trucks, ethnic food trucks, cupcake trucks, and coffee trucks. The idea of mobile food business, or street food, is not new. Actually, many cities and countries around the world are so famous for their street food that it is part of the major tourist attractions. For example, night markets with street food vendors are always featured in Taiwan’s tourism promotional materials. Night bazaars with food stalls are also popular among visitors to Bangkok or Phuket of Thailand.

food quality attributes (presentation, menu item variety, healthy options, taste, freshness, and temperature) that were tested; food presentation, taste, and temperature were found to be significantly related to customer satisfaction among restaurant patrons.<sup>14</sup>

The fifth and final step in planning to meet guest expectations is accomplished when the type of service is selected for delivering menu items. Service may range from moving down a cafeteria line to formally orchestrated **Russian service**. Whatever the selection, the ultimate goal is meeting guests’ needs. Proper planning, as shown in Table 8.2, sets the stage for enjoyable dining experiences.

**It All Comes Down to Rhythm, Timing, and Flow**

Developing menus and having the right equipment, ingredients, and talent to produce these items is only the beginning of a successful foodservice operation. Just like the conductor of an orchestra who brings a musical score to life, F&B managers bring menus to life. The **brigade** system, developed by Escoffier, was designed to make this task possible. Under this system, each position has a station (assigned workplace) and clear-cut responsibilities. For example, one station in the kitchen makes all of the **stocks** and **reductions** needed for the bases of soups and sauces instead of having each station make its own. Although the brigade systems were originally designed for use in fine-dining establishments, they are flexible and can be modified for use in any size or style of foodservice operation and, even with new innovations, are still used today.<sup>15</sup>

Professionally planned menus, a properly designed and equipped kitchen, well-trained employees, and effective preparation and production systems make up the basic ingredients for delivering high-quality food and service. However, it takes more. A dedicated team constantly striving to balance the rhythm, timing, and flow of production and service delivery adds the final ingredients that bring the dining experience to life. To achieve this balance, managers must focus on being team leaders or coaches for their employees and move away from the authoritarian approach that has been traditionally used by foodservice managers.<sup>16</sup>

- Rhythm is the coordination of each required task and activity.
- Timing is the sequencing of each task and activity to produce desired results.
- Flow is the combination of rhythm and timing resulting in a smooth, efficient operation.

Table 8.2    Menu Planning Essentials	
Step 1.	Decide on items to include on the menu.
Step 2.	Design menu appearance.
Step 3.	Select appropriate service ware and place settings for menu items.
Step 4.	Determine plate presentation for all menu items.
Step 5.	Select appropriate level of service for menu items.

To understand the importance of rhythm, timing, and flow, imagine the following setting. You and your friend have just been seated and presented with menus in a full-service American-style restaurant. The typical sequence of courses in this style of restaurant would be appetizer, soup, salad, entrée, and dessert.

As you review the menu, you look around and notice that the dining room is full, and there are customers still waiting to be seated. You see a busser (back waiter) moving a high chair toward a table; the captain (host/hostess) reseating guests who did not like their table; a server (front waiter) stopping to answer a guest's question; and you just heard the captain take a special request from the guests at the table next to you. While you are watching all of these activities your water glasses have been filled, and your waiter has already taken and served your drink orders.

When your server takes your orders, you notice that each appetizer and entrée will have to be prepared differently. The shrimp cocktail and the mozzarella cheese sticks, just like the grilled salmon and the fettuccini Alfredo, will all come from different stations in the kitchen. Your server passes through the kitchen doors and you hear a muffled burst of activity before the doors quickly close. When the rhythm, timing, and flow of all of these activities occur as planned, the dining experience can be as pleasurable as listening to a well-rehearsed symphony. *Bon appetit!*

## Adding Value to Food and Beverage Experiences

Successful F&B operators are quick to point out the need for differentiating their operations from those of their competitors. Operators strive to distinguish themselves by focusing on guest service, adding value through quality or pricing, providing unique atmospheres and dining experiences, or offering innovative foods, beverages, and services. Any of these approaches when successfully implemented may attract new guests as well as encourage loyal supporters to come back time and time again and bring their families and friends.

With many smaller F&B operations, managers are usually in close contact with the entire operation, enabling them to gain personal insights into guests' needs. As operations become more complex in settings such as hotels and resorts and the number of outlets increases, the need for formal planning processes and procedures becomes more important. There are two typical designs or approaches to planning and delivering F&B services in these large "property" settings. The approach chosen usually depends on factors such as the number of foodservice outlets, services provided (e.g., room service, event catering, pool-side service, etc.), and the property's overall marketing strategy for attracting and serving guests.

At one location, F&B facilities may be designed to provide service to a captive audience of guests, whereas at another location, facilities may be designed to attract guests. Let's consider a ski area's approach to its F&B operations. There may be thousands of skiers on the mountain and many more guests in the base area. Most of the skiers are planning to take a break from skiing between 11:30 A.M. and 1:30 P.M. to have lunch. They expect conveniently located restaurants with a layout that allows traffic to flow smoothly (the skiers want to move about without feeling as if they are stuck in a crowd). They expect to be able to order, receive, and pay for their food without long waits. They expect hot foods and beverages to be served hot, and cold items to be served cold. They might expect prices to be a little higher on the mountain because of location and the desire for convenience, but they still expect good food quality. Other guests who have decided not to ski and are staying in the base area or village want the same quality and convenience, but they may desire a larger selection of food and service options.

To run the ski resort's F&B operations successfully, managers must pay close attention to a number of things. For example, organized commissary operations will be important to make sure each restaurant has everything it needs. Accurate tracking systems of food and supplies from the commissary to each restaurant will also be needed. By tracking food and supplies accurately, managers know how much it



costs to run each foodservice outlet. Watching the costs of each of these outlets helps managers to identify and respond to potential problems quickly. Items on the menu for these types of foodservice operations are usually the result of needing to please the “mainstream” desires of guests by providing items quickly and in large quantities.

At another property, such as a destination resort, the typical approach for F&B operations might be quite a bit different from the one we just discussed. In this type of situation, foods and beverages may be used to support a property’s overall marketing strategy. For example, an oceanside resort in Monterey, California, may use distinctive F&B offerings as marketing tools to attract guests and to distinguish itself from competitors. These types of properties tend to use their F&B operations for three special reasons:

- *Creating a desired public image and defining their place in the market.* F&B operations can have a significant impact on a property’s image in the marketplace by serving as a center for community groups and organizations, causing the property to be perceived as a point of pride in the community.
- *Attracting desired business.* F&B operations can be used to add quality or value to a property’s overall image by attracting individuals such as travel agents, tour operators, and meeting planners who influence travel decisions. These operations are often used to attract group business by discounting F&B items, which adds value to the total meeting package and obviates the need to discount sleeping room prices. Actions like this can increase overall profitability because rooms have a greater **contribution margin** than does F&B.
- *Creating new business opportunities.* By producing events, a property can use F&B operations to create new business opportunities. Wine tastings, celebrations, theme dinners, balls, brunches, and other combinations of food, beverage, and entertainment often entice people to visit a property. Once there, they may stay longer to enjoy the guest rooms, restaurants, lounges, pools, spas, and golf and tennis facilities. These marketing strategies can be especially effective for generating business during **shoulder seasons**.



A home-cooked breakfast awaits guests staying in this nostalgic Maine B & B. Photo by Ron Hilliard

## FYI BASIC TABLE MANNERS

The rules of etiquette are formed and re-enforced by cultural norms. So, to say one way is right could be a problem depending on where in the world you are. However, basic table manners are the same throughout the world. Keep these few basics in mind and you can be comfortable in any setting.

- Place your napkin in your lap.
- Wait until everyone at the table has been served before beginning to eat.
- Chew with your mouth closed.
- Never talk with food in your mouth.
- When in doubt about what you should do, always follow the lead of your host or the person of highest authority in your group.
- Keep your elbows off the table.

Finally, remember that no matter where you are, focus on the purpose and enjoy the setting and people around you. For more information on business etiquette, see Cook and Cook.<sup>17</sup>

*Source:* From Guide to business etiquette (2nd ed.) by Cook, R. A., and Cook, G. O. Published by Upper Saddle River, NJ: Prentice-Hall © 2011.

In properties that use F&B as part of their overall marketing strategy, the F&B director is expected to run the operations in a way that will best benefit the entire property. In other words, the F&B director should be more concerned with the overall profitability of the property and meeting guests' needs rather than simply the profitability of F&B operations. This approach can be seen in operations in which attention to little details and customer service are the norm. Little things like responding to a guest request for an item not on the menu, such as a peanut butter and jelly or grilled cheese sandwich, or grander gestures, such as hosting a "no charge" cocktail reception as a kickoff to a three-day conference, create lasting and positive impressions.

Other tourism suppliers face similar types of decisions. Should foods and beverages simply be provided to fill a basic human need or should they be used as a valuable addition to the marketing mix? To answer that question, think about the approaches taken by two different airlines. Singapore Airlines is noted for its high-quality foodservice operations and uses this as a marketing tool, whereas Southwest Airlines flies only short legs, choosing to avoid the costs and challenges associated with foodservice operations.

## From Ten to Ten Thousand

How many did you say we should expect? Feeding small and large groups of guests on a one-time basis creates some unique challenges for foodservice operators. Meeting these special needs ranges from simple to complex. It may be as simple as reserving a special section in a restaurant for a tour group as they step off the bus to enjoy a relaxing lunch, or it may be as complex as serving multiple meals at scattered sites across a broad geographic setting such as at the Summer Olympics.

Whether it's providing breakfast, lunch, dinner, or refreshment breaks for groups, foodservice teams must be prepared to meet their needs and budgets flexibly. There are a variety of facilities either specifically designed for **banquets** or that can be easily converted to meet **catering** needs. Most large hotels and resorts and many smaller properties have multipurpose rooms that can be used for both meetings and food functions, and convention centers and even sports arenas can be converted to feed tens of thousands of guests. The task of planning, setting up, and serving these functions falls in the capable hands of catering (also called banquet) managers and their supporting service teams.

Catering sales managers work with clients to discover their needs for such things as meeting and exhibit space as well as F&B requirements. These requirements are then described in great detail for internal use for kitchen and service employees on a catering contract or **banquet event order (BEO)** form. The BEO serves as an internal

## FYI WHERE FOOD IS THE FOCUS

One of the highlights of food tourism is traveling to special places where food is the focus. Nowhere is food more on center stage than at fairs and festivals dedicated to special foods. Consider sampling one of these destinations from the food festival smorgasbord:

- Asparagus Festival, Lovran, Croatia
- Crave Sydney International Food Festival, Sydney, Australia
- Durkheimer Wurstmarkt, Bad Durkheim, Germany
- Florida Strawberry Festival in Plant City, Florida
- Gilroy Garlic Festival, Gilroy, California
- Maine Lobster Festival, Rockland, Maine
- Mackinac Island Fudge Festival, Mackinac Island, Michigan
- Sauerkraut Days, Lisbon, Iowa
- Terlingua International Chili Cook Competition, Terlingua, Texas
- Tyne Valley Oyster Festival, Tyne Valley, Prince Edward Island, Canada

If the names and foods don't make your mouth water, keep searching, there is a food festival to tempt every taste bud.

form of communication that provides specific timing and instructions for the banquet service team to meet guest expectations. This level of detail becomes especially important when dealing with groups requiring a variety of services over multiple days. For example, at a four-day conference, meeting goers will likely be served breakfasts, lunches, dinners, refreshment breaks, and cocktail parties. These may range from a formal dinner-dance banquet to a self-service continental breakfast.

## Building Profitable Operations

“Mention food and beverage, and most hotel owners and managers want to run for the exits. Restaurants, and to a lesser extent bars and lounges, are hard to conceive, staff, operate, and certainly profit from” (p. 26).<sup>18</sup> Competition in the F&B industry is fierce, with owners and managers facing the added problem of operating on very thin profit margins, so it is not surprising that a 60% failure rate for restaurants has been reported.<sup>19</sup>

Why is this failure rate so high? People seem to become financially involved in F&B establishments naively or for many of the wrong reasons. Some are motivated to own or invest in a restaurant because they crave social recognition, whereas others like to dine out and think they know how to deliver the dining experience. Still others venture into this line of business because they have gained status as accomplished cooks from dinner parties put on for friends. Such experiences lead many to believe falsely that they have the necessary skills to be good F&B operators. However, there is some good news. Research has shown that the median lifespan for restaurant operations is 4.5 years.<sup>20</sup> So, the restaurant you enjoyed on your last trip may still be there on your next trip.

## FYI CHINESE' AFFECTION FOR FOOD AND BEVERAGE

Chinese cuisine is famous around the world. However, one really has to be in China to realize how much they enjoy foods and beverages. In full-service hotels, the revenue generated from F&B operations accounts for more than half of the total revenue, whereas

it is around 40% in North American hotels. It is not uncommon for a hotel to have several large ballrooms and many private dining rooms to serve the banquet needs of customers. In addition to banquets and restaurants, hotels take advantage of festivals to

earn revenues through the sales of gift packages that include festive food products. For example, hotels could easily generate over U.S. \$1 million revenue selling moon cakes during the mid-Autumn festival.

**Table 8.3** Recipes for Restaurant Success

Recipe	Ingredients
#1	Operating costs are high and profit margins are low, so budgets, costs, and portion controls are a must.
#2	Labor is a significant cost and a time-consuming issue; be sure to focus on effective selection, training, and retention.
#3	Prepare a good business plan and have sufficient cash flow and capital to make it through slow times.
#4	You must have a passion for the business and develop as well as practice strong internal controls. Not only must you interact with customers, you have to be involved in the day-to-day business to avoid fraud and theft as well as supervising profit margins and negative signs that could infer problems.
#5	Pay attention to the number-one customer demand—quality.
#6	Monitor the marketplace. Keep your concepts current and fresh. Plan for change; don't wait for sales to slow before you implement changes.

Source: Kahan, Stuart. (2003, December). Food for thought. *Practical Accountant*.

Even if they do have the necessary talent, they may often fail to realize that foodservice operators are faced with working long hours and then dealing with many complex problems in today's competitive environment.<sup>21</sup> Profit margins are shrinking, and controllable costs, such as payroll, employee benefits, food costs, and taxes, are being forced up by inflation and governmental regulations, and foodservice patrons are unwilling to accept higher menu prices. In fact, F&B operations require a great deal of attention to detail, and they are a business in which every nickel counts, and profits are often measured in pennies.

According to one industry expert, there are a number of steps restaurant operators can take to ensure success. Table 8.3 lists those factors that can make the difference between success and failure.<sup>22</sup> “Whether in a quick service environment or a five-star resort, just the right amount of planning will increase the likelihood of success exponentially.”<sup>23</sup>

Some of the more common performance measures that are used to evaluate performance in foodservice operations include sales per seat, sales per employee, and the number of times a **seat or table turns over** in one day. In the search for increased revenues, restaurant operators may seek to increase table turns during peak periods by speeding up the meal's pace. However, this seemingly appealing approach should be considered cautiously as research shows that excessive speed may make customers feel rushed and hence guest satisfaction may be diminished.<sup>24</sup>

Table 8.4 shows a financial statement for a successful full-service restaurant. As you study the profit and loss statement in Table 8.4, refer back to Figure 1.10 and remember the importance of leverage, turnover, and margin in achieving profitability.

Rather than face the complexities of foodservice operations alone, tourism service suppliers (especially small lodging properties) are turning in increasing numbers to the expertise provided through branded concepts from successful franchisors. By co-locating several franchises into a food court setting, guest needs can be met, kitchen and customer-service labor costs can be substantially reduced, and marketing efforts can be minimized.

## Balancing Payroll Costs with Productivity

As Carrie learned in the chapter opener, producing some menu items can be very complicated as well as labor intensive and costly. Labor and food costs are the largest controllable expenses for F&B operations. High **employee turnover**, the availability and quality of new employees, and the constant need for training all combine to create significant operating costs. Consequently, F&B managers must constantly focus

**Table 8.4** Income and Expense Statement of Restaurant Blue for the Month of September 20xx

<b>Revenues</b>	<b>\$</b>	<b>%</b>
Food	2,437,500	65.52
Wine	544,688	14.64
Beer	410,156	11.02
Liquor	262,500	7.06
Soft beverages	65,625	1.76
Total revenues	3,720,469	100.00
Cost of goods sold		
Food	926,250	59.05
Wine	245,109	15.63
Beer	131,250	8.37
Liquor	73,500	4.69
Soft beverages	6,563	0.42
Fees & commissions	186,023	11.86
Total cost of goods sold	1,568,695	100.00
Operating expenses		
Labor	667,615	47.88
Employee benefits	477,345	34.23
Direct operating expenses	79,549	5.70
Occupancy expenses	90,280	6.47
General & administrative	79,531	5.70
Total operating expenses	1,394,320	100.00
Gross operating profit before interest, taxes, and depreciation	757,454	20.35
Food cost		38.0
Liquor cost		37.0

their efforts on making employees more productive through education, training, and technology enhancements. In response to continuing labor shortages, most foodservice operations are buying some ingredients that have been either partially or fully prepared. This allows managers to hire fewer employees and reduces culinary training needs.<sup>25</sup>

Increasing employee productivity typically involves investing for future profitability. Keep in mind that recruiting, training, and retaining skilled employees, as well as equipping them with the best tools and technology, will be costly decisions. These decisions are often difficult because the paybacks in efficiencies may be more long term than immediate. Other approaches such as reminding food servers of a simple slogans such as “hands-full-into-the-kitchen and hands-full-out-of-the-kitchen” and “if you can lean you can clean” can do wonders to increase productivity and employee satisfaction.

## Food Quality and Food Costs Are the Results of Effective Purchasing

As important as controlling labor costs in F&B operations is the challenge of controlling the cost of food. Therefore, just as much attention should be paid to purchasing, receiving, and storing these products as is paid to controlling labor costs. Purchasing is much



## FYI BE YOUR OWN RESTAURANT INSPECTOR

No matter where you travel, from Augusta, Maine, to Zhengzhou, China, you can protect yourself from food-borne illnesses. In addition to watching what you eat and drink, be your own restaurant inspector. There are many points in the foodservice process where sanitation and health standards may be compromised. Practice these simple rules:

- Follow your nose's cues. If there are funny smells emanating from the restaurant, stay away.
- Look for cleanliness. Check out the back door and trash areas. If they are neat and clean, then the restaurant probably is clean also.
- Before you are seated, check out the restrooms. This is a good indication of the importance placed on sanitation.
- Notice your servers. Have they taken care with their appearance? Do they appear to be clean? How do they handle plates and service ware? If the servers are dirty or careless, it's time to move on.
- Check for general cleanliness. This doesn't mean just the tables, chairs, floor, and uniforms; check also for dead bugs and soiled menus.

Don't run the risk of spoiling your travel fun. When in doubt, leave; there is always a good place to eat if you look!

*Sources:* Based on Dine Out Safely. *USA Weekend*, November 2–4, 2001; Satow, Y. E., Inciardi, J. F., and Wallace, S. P. (2009). Factors used by restaurant customers to predict sanitation levels. *Journal of Foodservice Business Research*, 12(2), 170–179.

more than simply ordering and receiving F&B products. The greater the food knowledge and skills of the purchasing agent, the more effective the purchasing processes will be. For example, the purchaser must understand the impact that the menu, preparation methods, ingredients, shelf life, storage facilities, equipment, skill level of the staff, and guest expectations have on production and service delivery. Without this knowledge, problems are sure to occur. In addition, no matter how good the purchasing processes are, they can be made totally ineffective by poor receiving and storage procedures. Simple mistakes such as failing to verify amounts and weights or not checking product specifications against the **purchase order**, as well as using newer items before older items, can have an adverse impact on profitability and quality.

As in many competitive industries, foodservice operators are finding it beneficial to create partnership relationships with their suppliers. These suppliers are called **purveyors** in the foodservice industry and the relationships they are creating are called **prime vendor agreements**. In a prime vendor agreement, foodservice operators agree to direct a large portion (typically up to 80%) of their orders to a specific purveyor. In return, the purveyor agrees to categorize purchases into broad groupings, such as meats, poultry, shellfish, and canned goods, and then negotiate prices for items in each category based on a set percentage markup above cost. Other incentives such as providing training or lending specialized equipment may also be offered by the purveyor to obtain additional business.

## An Ounce of Prevention Is Worth a Pound of Cure

Foodservice operators also invest a great deal of time and money in training and technology for reasons other than improving service and profitability. In the same way an airline captain is charged with the safety of crew and passengers, so, too, are foodservice managers with their employees and guests. They must ensure that safe and proper sanitation practices and procedures are always given priority in daily operations. As you consider the following information, think about the potential dangers that could be created if sanitation were not maintained as a high priority.

Food-borne illnesses concern both consumers and suppliers. When asked what factors influenced their confidence in food safety, consumers resoundingly said cleanliness of plates and silverware, tables and tablecloths, and restrooms (81%, 77%, and

**Table 8.5** How Foodservice Operators Are Addressing Sanitation Concerns

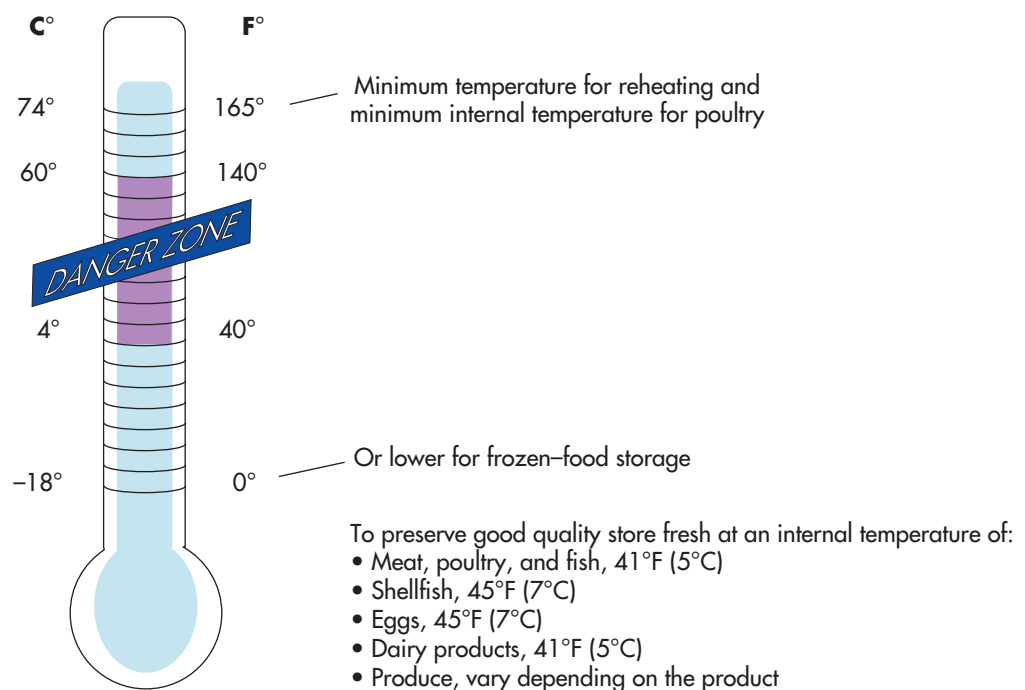
- 96% have trained kitchen staff in food-safety topics.
- 88% have audited food handling, preparation, or storage procedures.
- 85% have trained waitstaff in food-safety topics.
- 66% have purchased insurance to cover food-safety losses.
- 61% have required food suppliers to submit proof of liability insurance.

Source: Perlik, A. (2004). To protect and serve. *Restaurants and Institutions*, 1114(5), 42–44.

72%, respectively). How have foodservice operators responded to these concerns? See Table 8.5 for a list of action steps.<sup>26</sup>

Scientific developments may have increased our understanding of food processing, improved our methods of preparation, and allowed us to improve sanitation and food storage techniques, but common sense is still needed. In the past, traditional safety and sanitation practices focused mainly on the external cleanliness of food production areas and equipment, leaving invisible contaminants free to grow into illness-causing hazards. Most bacteria grow or multiply rapidly when products are held at temperatures between 41°F and 140°F, which is known as “The Bacterial Danger Zone” (see Figure 8.1). Knowledge of how and when bacteria can grow and cause food-borne illnesses as well as the practice of basic sanitation techniques provides the foundations for protecting guest and employee safety and health.

Frequent hand washing, frequent sterilization of foodservice equipment, and careful use of cutting boards can go a long way toward preventing future problems. For

**FIGURE 8.1**

The Bacterial Danger Zone. When food is improperly handled or stored bacterial will grow and cause illness. Source: Food Safety Education. (2013). United States Department of Agriculture. Retrieved on December 5, 2016 from [https://www.fsis.usda.gov/wps/portal/fsis/topics/food-safety-education/get-answers/food-safety-fact-sheets/safe-food-handling/danger-zone-40-f-140-f/ct\\_index](https://www.fsis.usda.gov/wps/portal/fsis/topics/food-safety-education/get-answers/food-safety-fact-sheets/safe-food-handling/danger-zone-40-f-140-f/ct_index).

example, cutting boards can be color coded and dedicated for use with a specific product. One color would be used only for cutting raw poultry, another only for fresh vegetables, and another for breads. This helps to prevent the danger of cross contamination when handling different types of foods.

The Center for Disease Control and Prevention identified common factors that are responsible for food-borne illnesses, including purchasing food from unsafe sources, failing to cook food adequately, holding food at improper temperatures, using contaminated equipment, and poor personal hygiene. Most of these are related to time-temperature abuse and cross-contamination. The ServSafe program developed by the National Restaurant Association provides the knowledge to properly design a food safety management system that monitors and reinforces food safety principles from receiving, storing, preparing, cooking, holding, cooling, reheating, to serving food.

## Beverages

The distillation, fermentation, and compounding of spirits is surrounded by a history as long and rich as the history of food. No one really knows who the alchemist was who invented the distillation process, so it is no wonder that many people through the centuries have referred to it as a gift from the gods. It was the Arabs or Saracens who gave us the words *alcohol* and *alembic*, the latter word meaning a still. In fact, the word *alembic* is used in all but the English-speaking countries even today.<sup>27</sup>

Beers, wines, and spirits can enhance foods and add to the overall dining experience. However, a lively bar will seldom complement a candlelit dining experience, just as a great selection of wines will do little to enhance a hot dog stand on the beach. Beers, wines, and spirits not only make a good companion for a dining experience, but they are often the predominant flavor in a sauce, entrée, or dessert. They can also be used in food preparations to season and tenderize foods.

When alcoholic beverages are used in hot food dishes, the alcohol quickly evaporates, leaving only the flavor. In dessert recipes in which an alcoholic beverage is not heated and cooked off, the practice is often referred to as *perfuming*. In short, the relationship between foods and beverages is a marriage made in heaven and there are many cultures who take the relationship for granted. For example, in Germany, you can order a beer with your Big Mac and, on a trip to Japan, you can find vending machines offering not only food but also cold beer or hot sake.

## Beverage Operations

Successful beverage operations depend on many of the same fundamental business principles that we previously discussed in developing efficient, profitable, and safe foodservice organizations. In addition, beverage operations require a great deal of attention to detail because they represent a substantial investment in equipment, furniture, décor, and inventory.

Books, television, and movies have all painted a picture of the bartender full of character, serving the guest whose stress is lifted away with a warm greeting. At the guest's request, the bartender reaches for a bottle or pulls the tap. That practice called "free-pouring" is fading away to be recalled as a thing of the past. Today, it is common to see the increasing use of technology in bar operations in response to dramatic drops in profit margins. The causes of these drops are heavy taxes on alcoholic beverages and a change in consumption behaviors, as people are drinking less but ordering more premium products. These changes along with guests' intolerance of higher prices are leading to narrower profit margins. However, interest in the status of premium brands holds the promise of increasing sales and profit margins.



*Pubs remain favorite gathering spots for locals and visitors.* Nyul/Fotolia

Today, instead of allowing the bartender to free-pour, automated systems strictly control the amount of alcohol poured and electronically transmit information to the computerized cash register system that rings up the sale and updates the bar's **perpetual inventory**. Although these systems are practical, many guests find them to be impersonal, and many professional bartenders dislike their inflexibility. Some guests and bartenders perceive the bar as a place for relaxed, social exchanges where technology should be forgotten and handshakes remembered.

## Keeping Spirits Under Control

Establishments serving alcoholic beverages face a unique set of legal and social challenges. In the United States, Dram Shop or Civil Liability Acts impose liability on the seller of intoxicating liquors when an injury occurs to a third party as a result of a customer's intoxication.<sup>28</sup> In addition, society's demand for more responsible drinking and stricter drinking-and-driving laws are creating additional demands on operators who serve alcoholic beverages.

These legal and social concerns are being met with strong industry support for responsible serving practices. Training programs that focus on recognition and service support for customers who have enjoyed too much of a good time are now the industry standard. Simple tactics for bartenders and waitstaff that include slowing down the

## FYI CATEGORIES OF ALCOHOLIC BEVERAGES

1. Fermented beverages, made from agricultural products such as grains and fruits.
2. Distilled or spirit beverages, made from a pure distillation of fermented beverages.
3. Compounded beverages, made from combinations of either a fermented beverage or a spirit with a flavoring substance(s).

speed of service, keeping “munchies” on the table, and offering appetizer menus and water are just a few approaches to responsible alcohol service. More drastic measures such as denying service, having a guest escorted to his or her room, or calling a taxicab may also be required.

The laws defining legal levels of blood alcohol before driving impairment occurs vary (typically .08% – .10% in the United States). So, can a person drink and still drive? The answer is yes, not much, or maybe not at all. A good rule of thumb to follow in the United States is that a person can drink one ounce of distilled spirits, one beer, or one glass of wine an hour and still be capable of driving legally. However, countries in Europe have much stricter laws. In the United Kingdom, alcohol is limited to 0.4 mg per liter of blood, and falls to 0.25 mg in most other countries including Germany and France, but the limit in Norway is 0.1 mg. Gibraltar is the strictest country of all; any trace of alcohol is considered a violation.<sup>29</sup> Paying attention to customers’ needs and enjoyment can go a long way toward protecting the customer, the establishment, and the general public.

## Coffee, Tea, Or?

For many years, we would have focused all of our attention on the alcoholic side of beverage operations, but times have changed and non-alcoholic beverages have gained in importance due to their financial significance. With the explosion of specialty coffees and teas, bottled water, juices and energy drinks, non-alcoholic beverages are no longer an after-thought or necessity as they have become important profit generators. Even the dispensing of fountain drinks has taken on new significance.

To understand the significance of non-alcoholic beverages to the bottom line, think about that \$4.00 cup of coffee, glass of tea or soda you recently had with a moderately priced dinner. When these and other non-alcoholic beverages are added to the bill, they not only increase the check average, but also the profit potential for the foodservice operator. From a simple profit perspective, consider the contents of a 16 ounce cup. What is the main ingredient and how much does it cost? The answers to these questions: ice and next to nothing! And, does a \$4.00 cup of coffee or a lemonade really cost as much, percentage wise, to prepare and serve as \$16.00 entrée? The answer to this question: no. But, when paired together, the combination is valued by the customer and the profit margin for the operator is enhanced. And, where tipping is practiced, servers also benefit, creating a triple-win situation. So, just like with alcohol and food, pairings of non-alcoholic beverages and foods should also be taken into consideration when designing and pricing menus.

## Summary

Travel has expanded our awareness and desire for foods and beverages from all over the world while advances in science and technology have also increased the ways that foods and beverages are produced and prepared. The growing desire to experience new and tantalizing foods and beverages has created a separate category of travelers: culinary tourists.

There are many types of F&B operations designed to serve the public. The most common are commercial restaurants, but dozens of other styles of food service exist. No matter the size or type of operation, all foodservice

organizations are driven by the menus they offer. In delivering their menus, they must integrate the concepts of rhythm, timing, and flow to best serve their guests.

Foodservice operations range from the ubiquitous fast-food franchises that rely on drop-in customers to on-site amusement park snack bars and five-star gourmet dining rooms that serve captive audiences. No matter where they are located or whom they serve, these operations can achieve a competitive advantage by focusing on guest service, adding value, providing unique dining experiences, or offering innovative foods and beverages.



The F&B sector of the tourism industry is exceptionally competitive, and profit margins are small, making controlling labor and food costs an everyday challenge. Successful foodservice operators must train and retrain their employees as well as carefully monitor purchasing and inventory control procedures. In addition, F&B providers must guard the safety and health of

their guests and employees by using wise food-handling practices. Managers of beverage operations are also faced with many of the same challenges and opportunities that are found in foodservice operations. By paying attention to details and keeping customer service in mind, we can create pleasurable memories and lasting relationships.

## You Decide

Jim Barnes always made it a point to go to the Bull & Bear Restaurant whenever his business trips took him to the Saskatoon area. After a busy day, he enjoyed the ambiance and the service for which the Bull & Bear had become famous. Everything was the same this time except for a new computerized cash register system that had been installed since his last visit.

As Jim scanned his guest check at the end of another enjoyable meal, he noticed something else that was different. In the past with the handwritten checks, the waiter had given Jim a receipt showing his total bill only. However, this time, the guest check showed bar, food, and tax.

Jim's company reimbursed meal expenses only, not bar expenses. Because his previous guest checks had always been handwritten, he asked his waiter if he could have a handwritten guest check showing the total amount rather than the computer-generated guest check.

His waiter apologized for any inconvenience, but said they were no longer allowed to handwrite guest checks. Undaunted, Jim decided to ask the cashier for a receipt showing the total bill only. When the cashier hesitated, Jim told her that if she would not give him the receipt, he would have to find another restaurant that appreciated his business. Would you honor Jim's request?

## Net Tour

To get you started on exploring Internet links for this chapter, please see

[www.restaurants.org](http://www.restaurants.org)  
[www.culinarytourism.org/](http://www.culinarytourism.org/)  
[www.crfa.ca/](http://www.crfa.ca/)  
[www.wacs2000.org](http://www.wacs2000.org)  
[www.servsafe.com/](http://www.servsafe.com/)

[www.ifwtwa.org/](http://www.ifwtwa.org/)  
[www.fcsl.org/](http://www.fcsl.org/)  
[www.restaurantreport.com/](http://www.restaurantreport.com/)  
[www.ameribev.org/](http://www.ameribev.org/)  
[www.zagat.com/](http://www.zagat.com/)  
[www.fodors.com/world/restaurant-reviews.html](http://www.fodors.com/world/restaurant-reviews.html)  
[www.worldfoodtravel.org](http://www.worldfoodtravel.org)

## Discussion Questions

1. How has travel expanded our acceptance of different foods and beverages?
2. How have scientific and technological advances increased the availability and variety of foods and beverages?
3. Why are the concepts of rhythm, timing, and flow important in foodservice operations?
4. How can F&B operations be used as a marketing tool?
5. Why must foodservice operators pay attention to detail and watch every penny?
6. Why is sanitation such an important issue in foodservice operations?

## Applying the Concepts

1. Look up restaurants in the Yellow Pages of your local telephone directory. What categories are used to group the restaurants? Select one category and identify the chapter issues that are particularly related to that category of restaurant.
2. Visit two different foodservice operations in your area and compare their décor, hours of operation, staffing, menu offerings, and prices. What are the key differences and what are the similarities in these operations?
3. Make an appointment with a manager/supervisor at a local restaurant, airport caterer, hotel, motel, resort, amusement or theme park, or other location that serves food to tourists. Discuss with this manager what he or she likes and dislikes about the work as well as

what types of education and training are necessary to be successful in the industry.

4. Select an article from a travel magazine or the travel section of the newspaper describing foods and/or beverages. Make a copy of the article and prepare a brief summary of the key points.
5. You have friends coming to town for a visit. Where would you take them to eat? Why?
6. Where would be the nearest destination for you to experience culinary tourism or wine tourism? Plan an itinerary for your family to enjoy this trip.

## Glossary

**à la carte** A menu in which each item is priced and prepared separately.

**Aquaculture** The farming and cultivation of water plants, fish, and crustaceans, such as kelp, salmon, catfish, oysters, and shrimp, in large quantities for human consumption.

**Banquet** A food and beverage function designed, priced, and produced for a client usually for a single event or occasion.

**Banquet event order (BEO)** A contract for a meeting or other special occasion that details the date, the sequence of events, special needs, foods and beverages, prices, and guaranteed quantities.

**Brigade** A team of foodservice employees, for example, the service brigade (all service personnel) or the kitchen brigade (all kitchen personnel), in which each member is assigned a set of specific tasks.

**Catering** A department within a restaurant, hotel, or resort property that is charged with selling and planning special meetings and food and beverage events.

**Commissary** Central storage area where food and supplies are received and kept until requisitioned.

**Contribution margin** What is left of the sales price after deducting operating costs.

**Cuisine** A French term pertaining to a specific style of cooking (such as Asian cuisine), or a country's food in general (such as Mexican cuisine).

**Culinary** The creative arts and crafts of preparing foods.

**Culinary tourists/tours** Travel for unique eating and drinking experiences in the context of the local culture.

**Employee turnover** A number of employees who leave their jobs because they intentionally miss work, quit, or are terminated.

**Perpetual inventory** A system of tracking inventory on a continual basis so that current information on the level of stock is always available.

**Plate presentation** The process of arranging menu offerings in a visually appealing fashion.

**Prime vendor agreements** Agreements directing a majority of purchases to one purveyor.

**Purchase order** A contract that specifies the item(s) wanted, including a brief description of quality and grade, the number desired, and the price.

**Purveyors** Food-service supplier.

**Reduction** The result of boiling a liquid (usually stock, wine, or a sauce mixture) rapidly until the volume is reduced by evaporation, thereby thickening the consistency and intensifying the flavor.

**Russian service** A style of service in which the entrée, vegetables, and starches are served by the waitstaff directly from a platter to a guest's plate.

**Seat (table) turnover** The number of successive diners sitting in one seat or at one table during each dining period, breakfast, lunch, and dinner.

**Shoulder season** The period of time between high and low or closed seasons when demand for services decreases.

**Station** A designated work area or department in a kitchen.

**Stock** The strained liquid that is the result of cooking vegetables, meat, or fish and other seasonings and ingredients in water.

**Table d'hôte** French term referring to a menu offering a complete meal at a fixed price (prix fixe).

**Yield** The amount or quantity produced or returned after the preparation, processing, or cooking of a product or recipe.

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# CHAPTER 9

## Attractions and Entertainment

*The World is a book, and those who do not travel read only a page.*

—ST. AUGUSTINE

### LEARNING OBJECTIVES

**After you have read this chapter, you should be able to:**

1. Describe the major classifications of attractions and entertainment in the tourism industry.
2. Understand the differences among heritage attractions, commercial attractions, and live entertainment.
3. Identify key marketing, management, and financial issues facing attractions and entertainment operations.
4. Describe major types of heritage attractions.
5. Describe major types of commercial attractions.
6. Describe major types of live entertainment alternatives.

### CHAPTER OUTLINE

#### So Many Things to Do and So Little Time

##### Introduction

##### A World of Opportunities

##### Foundations for Understanding Attractions and Entertainment

##### Heritage Attractions

- Museums and Historical Sites
- Zoos and Aquariums
- Parks and Preserves
- Fairs and Festivals

##### Commercial Attractions

- Amusement Parks
- Theme Parks

##### Gaming

- Gaming Segments
- Place Your Bets

##### Shopping

##### Live Entertainment

- Sporting Activities
- The Performing Arts

##### Summary

##### You Decide

##### Net Tour

##### Discussion Questions

##### Applying the Concepts

##### Glossary

##### References

## So Many Things to Do and So Little Time

One week was just not enough, but Marie had packed in an exciting agenda of attractions and entertainment during her brief stay in London. When she and her friends first planned to visit London, one week seemed long enough for this tourism mecca. However, once they arrived, everything was so much better than the guide-books and websites had described that their itinerary quickly expanded. Sure, it had rained, but the rain just added to the atmosphere. As she posted pictures and comments about her adventures, even more ideas and suggestions for things to do and see kept pouring in.

The adventure began as they boarded a flight from Toronto for Heathrow Airport. After getting their bags, clearing customs, and taking an express train to Paddington Station, they were in the heart of London. They had agreed to find a bed and breakfast (B&B) to use as a “home base” and meet there each night to discuss the different activities of the day and plan for the next. Finding a B&B was easy compared with fighting the urge to sleep.

For her first day, Marie decided to take a nonstop tour aboard one of London’s famous double-decker tour buses to get a feel for the city. A side benefit of the tour was being able to stay awake by riding on the top in the open air. The tour gave Marie an overall view of London and some ideas for scheduling her time. After a fish and chips dinner, she returned to her B&B for a good night’s sleep.

Day two began with a typical English breakfast: eggs, sausage, bacon, juice, toast, butter, jelly, and coffee. Marie decided to spend this day learning more about the



*Terra-cotta Warriors and Horses Museum in Xian, China, a popular heritage attraction.*

Photo by Cathy Hsu



history of London. The Tower of London, Westminster Abbey, Parliament, Buckingham Palace, and Cleopatra's Needle were just a few of the stops on this busy day. Day three was filled with shopping: Covent Garden, Oxford Street, and, finally, Knightsbridge and Harrods. Day four was supposed to be museum day, but, when the sun finally came out that morning, plans changed. A boat ride on the Thames and a visit to Hyde Park and Kensington Gardens seemed like better choices. She also visited Madame Tussaud's Wax Museum and ended the day with a visit to one of London's many theaters.

The weather on her last day was a bit gray and drizzly, so museums were back on the itinerary. There was no shortage of choices, but she finally decided to visit the Natural History Museum and the British Museum. As there were still a few empty spots in her luggage, quick trips to local shops for some last-minute souvenirs for friends and family back home and one last visit to a local pub topped off the day.

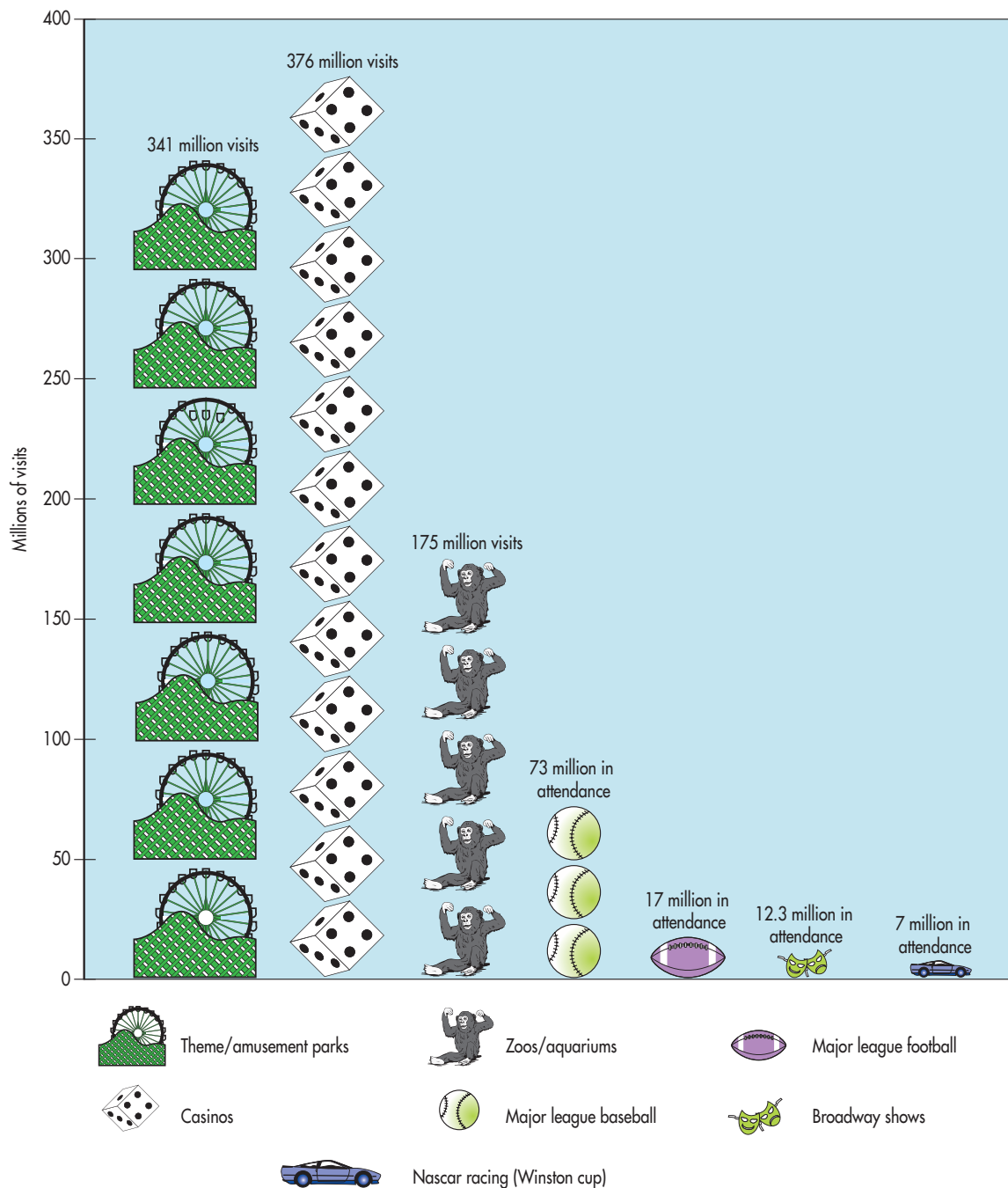
The plays, the shopping, the museums, the historic sights, Big Ben, the Tower of London, Westminster Abbey, Buckingham Palace, Harrods, and that chance visit to the British Museum! The days had flowed into one another as she enjoyed the delights of one of the world's premier tourism destinations. A rich history combined with a wide array of attractions and entertainment options made London the perfect tourist playground. There had been so many things to see and do during her whirlwind week. Settling back in her seat for the flight home, she fell asleep thinking about the highlights of her trip.

## Introduction

People have always been attracted to new, unusual, or awe-inspiring attractions and events in every corner of the world. In the days before recorded history, travelers may have journeyed for miles just to experience the beauty of the setting sun across a mountain valley or to participate in a religious festival in honor of bountiful harvests. Today, we may expect more, but we are still inspired to travel by the appeal of special attractions and events. No matter whether it is the chance to attend a rock concert, to witness Shakespeare being performed in the rebuilt Globe Theatre, to climb to the top of the Eiffel Tower, or to view the solitude and majesty of Uluru (Ayers Rock), tourists are constantly seeking new sights, sounds, and experiences as well as the opportunity to participate in a variety of **leisure activities**.

Whether traveling or staying close to home, just how do people spend their leisure time? The types and varieties of activities in which we choose to participate are as varied as the seasons and the locations to which we travel. Natural attractions, such as volcanoes, mountains, caves, seashores, and waterfalls, and festivals, such as planting and harvesting celebrations, served as attractions for early visitors and are still popular today. However, times have changed and, although these natural attractions and festivals are still popular, even wider varieties of alternatives have evolved to fill our leisure time. Figure 9.1 provides a brief glimpse at some of the attractions and entertainment alternatives North Americans find most attractive.

Tourists, whether visiting friends and relatives, traveling for pleasure, conducting business, or attending a professional meeting, tend to seek out a variety of attractions and entertainment alternatives to fill their leisure time. When traveling, we may continue to participate in many of our favorite leisure and **recreational activities**, but we also seek to see, do, and experience new things.

**FIGURE 9.1**

Entertainment activities enjoyed by North Americans. *Source:* Based on 2007 attendance figures: International Association of Amusement Parks and Attractions.

## A World of Opportunities

As Marie soon found out in the chapter opener, the menu of attractions and entertainment possibilities traveler's face is almost limitless. Selecting which ones to discuss in this chapter is almost as difficult as deciding how to spend our leisure time as we travel. To organize this discussion, we will use the following broad categories: heritage

**Table 9.1** An Attractions and Entertainment Sampler

Heritage Attractions	Commercial Attractions	Live Entertainment
Museums and historical sites	Amusement and theme parks	Sporting activities
Zoos and aquariums	Gaming	Performing arts
Parks and preserves	Shopping	Fairs, festivals, and events
Can you think of other attraction or entertainment alternatives?		

attractions, commercial attractions, and live entertainment. As shown in Table 9.1, each of these broad categories can be further classified into more specific subgroups.

As you can see, this is only a sample, and many more options could be added to the list. These attraction and entertainment opportunities may be selected as simply a sideline on a trip or they may be the main reason for travel. In Chapter 10, you will learn more about the important role many other leisure-time recreational activities, such as golf, tennis, and water and snow sports, play in the overall appeal of tourism destinations.

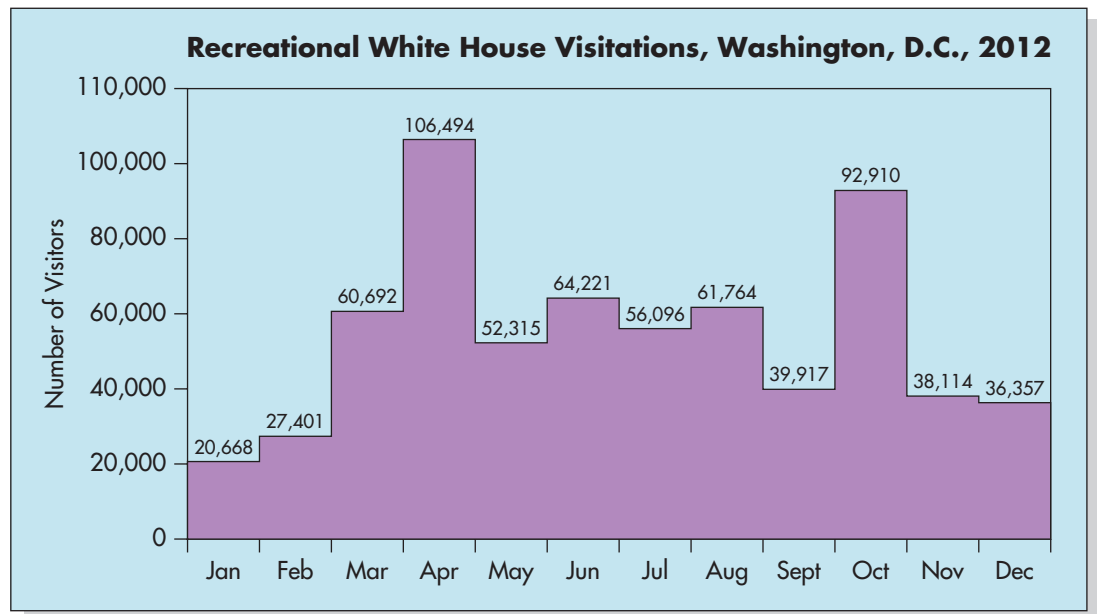
What would you add to this list? The Philadelphia Flower Show, the Carnival of Venice, the Calgary Stampede, the Taj Mahal of India? Remember, things that interest you and your friends may be totally different from what others might seek to experience or enjoy. Each of these attractions or live entertainment opportunities has its own special appeal and place on the menu of leisure-time offerings.

## Foundations for Understanding Attractions and Entertainment

Attractions are similar in some ways to live entertainment alternatives. Visiting attractions or enjoying entertainment opportunities require travelers to make choices about how they will use their leisure time. Some attractions are planned around historic sites and natural settings, whereas others are designed and constructed around planned activities, themes, and events. Depending on the purpose or setting, they may be controlled and operated by not-for-profit organizations that are dedicated to preservation and interpretation or by commercial organizations dedicated to meeting guests' needs while making a profit. Live entertainment opportunities may also be found in these same settings and may be operated on a not-for-profit or a for-profit basis. However, there are some key differences between attractions and live entertainment **venues**.

**Attractions** are natural locations, objects, or constructed facilities that have a special appeal to both tourists and local visitors. In addition to these attractions, tourists and other visitors are also drawn to see and be part of a variety of live entertainment opportunities. Although most attractions are permanent, entertainment alternatives are often temporary. In contrast, **events** such as fairs and festivals are temporary attractions that include a variety of activities, sights, and live entertainment venues. In addition, visitor attendance, as well as the financial fortunes of almost all attractions, is influenced by seasonal changes, whereas entertainment venues can be planned to take advantage of seasons and tourism flows. As can be seen in Figure 9.2, even at a popular location such as White House, there are definite highs and lows in attendance patterns.

Although many heritage attractions as well as amusement and theme parks are heavily used during the summer months, they may experience much less traffic in the winter months and so they close down. Even commercial attractions that were

**FIGURE 9.2**

Recreational White House Visitations, Washington, DC, 2012. *Source:* National Park Service. (2016). The National Park Service 2016 Centennial. Retrieved from <https://www.nps.gov/aboutus/upload/Site-Designations-04-13-16.pdf>.

originally intended to be open year-round, such as Sea World in San Antonio, Texas, saw their visitor numbers drop so much during the colder months that it was no longer profitable to operate on a year-round basis. Yet, these attractions may still have very appealing shoulder seasons, which can meet the needs of many visitors and still generate sufficient revenues to cover operating expenses and/or generate a profit.

This seasonality of demand raises some key operating concerns for attractions. First, from a marketing perspective, how can more visitors be attracted during less popular shoulder seasons and how can they be encouraged to spend more time and money during their visits? Second, from a management perspective, how can large numbers of employees be recruited and trained in a short period of time to deliver high-quality customer service? Finally, from a financial perspective, how can cash flow be managed so that enough money is available to meet payroll and other operating expenses during the busy periods while retaining enough funds to meet maintenance and administrative expenses that occur on a year-round basis? Attraction operators have a variety of alternatives to address these concerns.

In an attempt to address the slump in attendance and revenues during off-peak periods, attractions are developing and using special events to attract more visitors.<sup>1</sup> To generate shoulder season attendance, marketing efforts have been altered to target groups of potential visitors with flexible schedules such as mature travelers and families with students on year-round education calendars. In addition, activities have been added to match the seasons. For example, winter snow sport resorts have added mountain biking and alpine slides to attract summer visitors, and amusement and theme parks are hosting large groups at special promotional prices during traditionally slow shoulder seasons. Attractions are also cooperating in their marketing efforts. “To help boost attendance, the Toronto Metro Zoo has entered into cross-promotions with Paramount’s Canada’s Wonderland, a large amusement park located about 30 minutes from the zoo.”<sup>2</sup>

Attracting and retaining the traditional pool of high school- and college-aged employees through the entire busy season has been accomplished through implementing wage

scales that increase as the season progresses and the payment of completion bonuses if an employee stays through a specified target date. In response to fluctuating demand, many seasonal operations are also finding it helpful to recruit older workers, especially retirees who still want to be active in the workforce or simply want to supplement their incomes. No matter what the source of employees, managers must maintain a continuous recruiting and training process to fill vacant slots created by employee turnover.

When the gates to an amusement park open or a ski lift starts running, guests arrive and expect to find a staff ready to meet their needs. They also expect the same array of foods, gifts, and other goods and amenities that they would find if they had arrived a month later when the season was in full swing. Because most attractions operate on a cash basis from admission receipts, initial payroll and supply expenses must be paid before revenues are received. Planning and creative thinking are required to ensure that adequate funds are available at the start of the busy season as new employees are hired and supplies are received in anticipation of arriving guests. Selling season passes at a discount at the end of the season or before the season begins and negotiating a [line of credit](#) and extended payment terms with suppliers can help to ease the cash flow squeeze. As you will soon see, these are just a few of the problems and solutions facing tourism service suppliers in this segment of the industry.

In the following sections, we will describe and explore many of the heritage attractions, commercial attractions, and live entertainment alternatives that are available for people to enjoy as they travel. You may be amazed by the variety of opportunities available in each of these categories.

## Heritage Attractions

[Heritage attractions](#) can be found in a variety of shapes, sizes, and locations throughout the world. These attractions may range from a small community museum dedicated to preserving memories and experiences to incredible feats of human ingenuity and determination such as the Great Wall of China and other [World Heritage Sites](#). But heritage attractions are more than just museums, monuments, and archaeological treasures. They also include showplaces for natural wonders such as [botanical gardens](#) and aquariums as well as parks and preserves that are dedicated to public enjoyment and the protection of natural resources. In addition, fairs and festivals create special venues for celebrating and sharing a variety of accomplishments and cultural activities.

## Museums and Historical Sites

Archaeological evidence shows that once people began to live in communities, they began collecting, preserving, and displaying various items of interest from a cultural and historical perspective. These collections have provided a means of displaying history and passing on important information to future generations as well as “outsiders.” Our continuing fascination with the past has created a growing demand for museums and cultural heritage sites. Although the majority of these sites are operated on a nonprofit basis, they serve as major tourist attractions, generating important cultural and economic benefits.

Today people are attracted by the diverse cultures of other people and the past that are displayed in [museums](#). The number, types, and locations of museums can be counted in the hundreds of thousands, and the list of people who visit these museums each year can be measured in the millions. “Those who haven’t been to a museum in a while will hardly recognize the institution. In the past decade, museums have transformed themselves, constructing eye-catching new buildings at a feverish pace, replacing dusty artifact cases with high-tech interactive exhibits, and dramatically expanding restaurants and museum shops. The goal: getting more people to come, stay longer, and spend more money” (p. 12).<sup>3</sup>



Research shows that when visiting museums, most visitors expect an experience that can be described as “easiness and fun.” However, there are differences in what these visitors expect based on demographic segments. For example, females with a higher educational level usually expect a museum-visiting experience like most others of easiness and fun; whereas older and married participants with higher incomes often expect historical reminiscences.<sup>4</sup>

“Tourists love museums. In cities like Paris, London, Amsterdam, and New York, museums have long been major draws for out-of-town tourists. Many people will plan entire trips around a must-see exhibition; many more merely find museums a convenient place to spend a rainy afternoon. A single spectacular museum has transformed the Basque city of Bilbao from an industrial backwater into a premier tourist destination” (p. 6).<sup>5</sup> The number of available museums throughout the world continues to grow. For example, in Europe, for every museum that existed in 1950, there are now more than four. The list of museum types is extensive, but the following list provides some examples of the more common options from which visitors can choose: general, art, history, science and technology, military, and natural history. Whether there are too few or too many museums is the subject of much debate. However, as societies grow and change, museums provide a valuable foundation for studying the past and thinking about what the future may hold.

You may have heard of or even visited Colonial Williamsburg, Virginia, or Old Quebec and recognize that they are major historic attractions. These are just two examples of historic sites, yet there are many other places beckoning tourists and dependent on tourism revenues to continue preservation activities. Sites such as Historic Deerfield and others throughout the world are attracting record numbers of visitors, especially international tourists. More and more communities and countries are taking steps to preserve historic treasures and attract visitors through active restoration and interpretive programs. New life and uses are even being found for old industrial sites. “The owners of the Dürnberg salt mine in Hallein, Austria, which has been hosting visitors since at least 1700, decided in 1989 that salt was no longer profitable and closed down the mine. But it still earns money from 220,000 visitors each year, taking them on rides on the steep, long wooden slides that were built to transport miners” (p. 440).<sup>6</sup> These museums and heritage sites are managed by professional **curators**, and interpretive programs are frequently conducted by **docents** who volunteer their time or work for very little pay.

## Zoos and Aquariums

Large collections of animals, which were originally called *menageries*, have served as magnets for visitors since the times of the ancient Chinese, Egyptians, Babylonians, and Aztecs. Modern zoos (sometimes referred to as *zoological parks*) now come in many sizes and can be found throughout the world. The Philadelphia Zoo was the first (1859) location in the United States dedicated to the large-scale collection and display

### FYI THE MUSEUMS OF OTTAWA, ONTARIO

- Canadian Museum of Civilization
- Canadian Museum of Contemporary Photography
- Canadian Museum of Nature
- Canadian War Museum
- Central Experimental Farm
- Currency Museum
- Fort Henry
- Laurier House
- Mackenzie King Estate
- National Archives of Canada
- National Aviation Museum
- National Library of Canada
- National Museum of Science and Technology
- Royal Canadian Mint
- National Gallery of Canada
- Canada Agriculture Museum

Source: Based on Ottawa, Canada’s Capital Region. Destination Planners’ Guide, Minister of Public Works and Government Services Canada, 2012.

## FYI VANCOUVER AQUARIUM MISSION STATEMENT

"The Vancouver Aquarium is a self-supporting, non-profit society dedicated to effecting the conservation of aquatic life through display, communication, public programming and education, research and direct action."

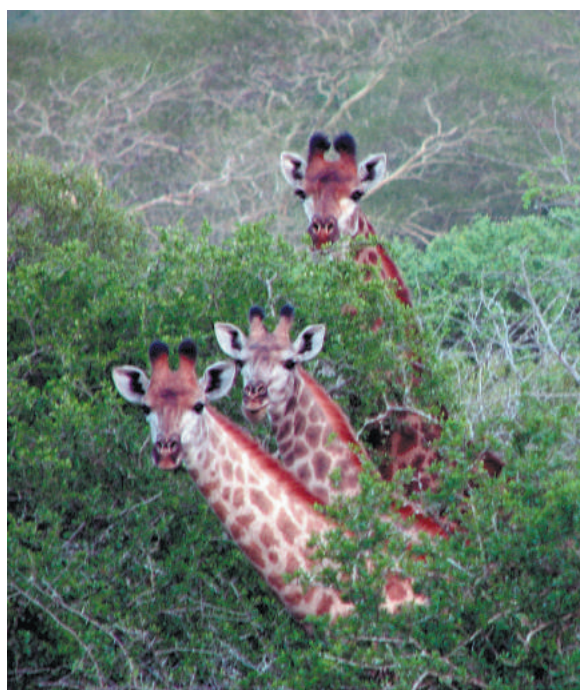
Reprinted with permission from the Vancouver Public Aquarium.

of animals. Although this facility is still of great importance, it has been eclipsed by more spectacular zoos such as the Bronx Zoo and the San Diego Zoo. Other notable zoos around the world can be found in Montreal, Vancouver, Frankfurt, London, Paris, Moscow, New Delhi, Tokyo, and Sydney. Historically, most zoos were established as not-for-profit organizations, but that form of operation is changing as over half of all the zoos in the United States now operate as for-profit organizations or only partially depend on government funding.<sup>1</sup>

Some of these zoos are very large, creating a great deal of public interest and publicity as well as generating significant international tourism traffic. This interest and traffic is based on unusual exhibits, collections of animal species, and efforts to re-create the natural setting found in the wild. Even the Walt Disney Company is banking on the continued draw of zoos. Disney's Animal Kingdom theme park, which features a blend of live displays of existing animal species and animatronic displays of species from the past, such as dinosaurs, has proven to be an attractive tourism destination. From both a management and marketing perspective, research shows that improving the zoo environment and demonstrating a concern for animal welfare were important for achieving overall visitor satisfaction levels.<sup>7</sup>

The first public aquarium was established in London at Regents Park in 1853. It eventually failed because of poor design and management, but the idea of a preservation attraction devoted to water life has proven to be successful. Although aquariums are only about half as popular as zoos and wild animal parks combined, they are increasing in number, size, and attendance. The huge Oceanarium in Lisbon, Portugal, which opened as the flagship attraction of Expo '98, represents Europe's largest and possibly the most spectacular of the world's hundreds of aquariums. The Manila Ocean Park in the Philippines, which opened in 2008, combines not only an expansive Oceanarium but also shopping and food to round out its attractiveness to visitors.

Many aquariums are supported and managed as not-for-profit foundations, such as Canada's largest, the Vancouver Aquarium. Others have been developed as for-profit enterprises, such as the chain of Sea World Parks. Recently, many cities, such as Camden, New Jersey, and Long Beach, California, have funded aquariums to help revitalize waterfront areas by attracting tourists and residents to oceanside regions of these cities. One of the most successful aquariums, Baltimore's National Aquarium, helped ensure the success of that city's redeveloped Inner Harbor.



*Kruger National Park in South Africa affords many species a safe haven.* Photo by Cheryl Clay

## Parks and Preserves

Every park and preserve is a little bit different. They may range from famous urban parks such as Central

Park in New York City or Hyde Park in London to forests and preserves such as Prince Albert National Park in Canada and Nairobi National Park in Kenya. Although they may be different in appearance and purpose, they are dedicated to protecting the natural beauty of landscapes, plants, and animals for future generations as well as providing visitors with open spaces for rest, relaxation, and recreation. Achieving this balance requires meeting the needs of visitors while maintaining the resources contained within the lands that have been set aside for public use. To serve all these needs, the potential impacts of all activities must be monitored and managed. For example, day-use areas and campsites that are accessible by motorized vehicles and have full sanitary facilities require more upkeep and labor than wilderness areas that are accessible by foot or on horseback only.

The importance of parks as major tourist attractions was ushered in with the dedication of Yellowstone National Park in 1872. The U.S. National Park Service has now expanded to include a variety of sites dedicated to the preservation of nature and heritage. The 411 units within the park system are grouped into 20 designations (see Table 9.2) including **national park**, **national monument**, **national scenic trail**, and **national preserve**. The idea of national parks soon spread north to Canada, where in 1887, the first national park was established with the opening of Banff National Park. National parks can now be found throughout the world as countries strive to preserve and protect their more pristine natural treasures. The grandeur and importance of some of these national parks, such as Jasper National Park in Canada and Grand Canyon National Park in the United States, have become legendary and draw millions of visitors each year to enjoy their breathtaking beauty.

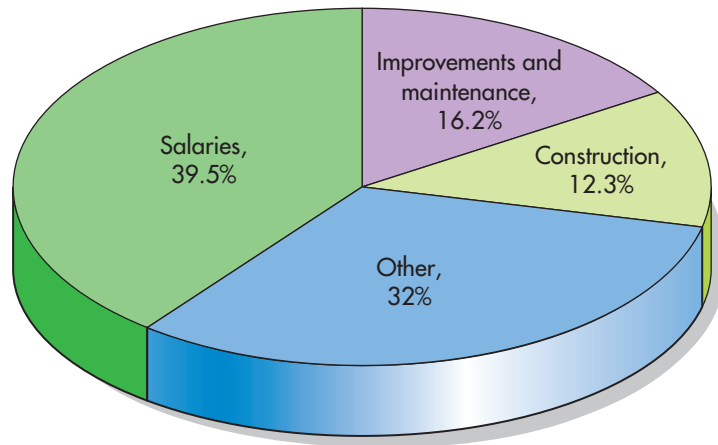
**Table 9.2** Units in the U.S. National Park Service

International Historic Site	1
National Battlefields	11
National Battlefield Parks	4
National Battlefield Site	1
National Historic Parks	50
National Historic Sites	78
National Lakeshores	4
National Memorials	30
National Military Parks	9
National Monuments	82
National Parks	59
National Parkways	4
National Preserves	19
National Reserves	2
National Recreation Areas	18
National Rivers	5
National Scenic Trails	3
National Seashores	10
National Wild and Scenic Rivers	11
Parks (other)	11
<b>Total</b>	<b>412</b>

Source: National Park Service. (2016). *The National Park Service 2016 Centennial*. Retrieved from <https://www.nps.gov/aboutus/upload/Site-Designations-04-13-16.pdf>.

**FIGURE 9.3**

U.S. National Parks expenditures. *Source:* *Statistical abstract of the United States 2010*. Washington, DC: U.S. Government Printing Office.



Some attractions such as Nairobi and Tsavo National Parks in Kenya and Serengeti National Park in Tanzania have gained such international acclaim that they serve as some of these countries' primary tourist attractions. Although people from around the world are drawn to these well-known national parks, there are also millions of acres of land that have been set aside for public enjoyment on the state, provincial, and local levels. From these giant parks to the small pocket parks tucked away in the corner of a city, not a day goes by that visitors and locals alike are not relaxing or taking in a little bit of nature.

The U.S. National Park Service is a large operation in itself, with over 28,000 employees and 2.4 million volunteers, and spending over \$2.7 billion to serve approximately 11.7 billion visitors a year.<sup>8</sup> As a not-for-profit government agency, the National Park Service depends on **appropriations** as well as other sources of revenues. These other sources include admission (user) fees as well as revenues generated from over 650 **concessionaires** that supply a wide range of goods and services from food and lodging to transportation and souvenirs. However, the majority of operating funds (65% in 2008) still come from appropriations. Figure 9.3 shows how these funds are spent. Even with what may seem to a significant government appropriation, the park service is having difficulty finding funds for maintenance and is exploring the possibility of corporate sponsorships in the form of advertising in the parks to generate additional funding. With the number of units in the national park service having increased from 391 to 412 from 2009 to 2016, this funding problem is sure to persist.

Botanical gardens are another important part of the tourism attraction mix for many communities. Some botanical gardens are renowned for their magnificent displays, and they draw visitors from all over the world. The oldest botanical garden was established at the University of Pisa in Italy in 1544. The Royal Botanical Gardens in Edinburgh, the Munich Botanical Gardens, the Montreal Botanical Gardens, and the Missouri Botanical Gardens in St. Louis are just a few examples of some of the more popular and frequently visited botanical gardens.

## Fairs and Festivals

**Fairs** and **festivals** hold unique positions in the attractions and entertainment segment of the tourism industry because they are a little bit of everything—heritage attractions, commercial attractions, and live entertainment. A fair was originally a temporary marketplace set up with the idea of stimulating commerce by creating an event that would bring together buyers and sellers. You might recognize the modern-day version of the original fair as a flea market. Festivals, on the other hand, were gatherings devoted to times of celebration.





*The Stone Forests are a natural attraction in China.* Photo by Cathy Hsu

Up through the Middle Ages, there were fairly distinct differences between fairs and festivals. However, over time, many of the same types of activities such as food, shows, and musical entertainment could be found at both fairs and festivals. The idea of having fun at these events is probably not surprising because the word *fair* comes from the Latin word *feria*, meaning “holiday.”

As commerce grew, so did the idea of fairs that were designed to be large and last for longer periods of time, maybe as long as several months. Many major exhibitions highlighting achievements and industries were held before the first “World’s Fair.” Two of these were the Paris Exhibition of 1889 and the 1904 Louisiana Purchase Exhibition in St. Louis, Missouri.

The idea of these very large fairs that bring together exhibitors and visitors from all over the world proved to be so popular that international leaders decided to bring some uniformity to the concept. With the signing of a diplomatic convention in Paris in 1928, 43 countries agreed to the frequency and basic operational goals of events that would officially be recognized as World’s Fairs. This agreement created the International Bureau of Exhibitions (BIE), which divided the world into three zones: Europe, North and South America, and the rest of the globe. It also stipulated that fairs would not be held in consecutive years in any one country and that no fees would be charged for the exhibits of foreign governments. Since its formation, there have been a number of notable World’s Fairs including the New York World’s Fairs (1939); Brussels Universal and International Exhibition (1958); Expo ’67 in Montreal, Canada; Expo ’70 in Osaka, Japan; Expo ’92 in Seville, Spain; Expo 2000 in Hanover, Germany; Expo 2005 in Aichi, Japan; Expo 2010 in Shanghai, China; and Expo 2015 in Milan, Italy.

Another very popular visitor attraction is the regional, state, or county fair. Most of these have evolved around the display of agricultural and livestock exhibits, but they often include industrial exhibits and many other entertainment activities. The Eastern States Exhibition, or “The Big E” as it is called, is an annual regional 10-day fair held each summer in West Springfield, Massachusetts; it celebrates the crafts, industries, and agricultural products of the northeastern states of the United States. Some of these fairs, such as the Canadian National Exhibition in Toronto, the State Fair of Texas, and the National Western Livestock Show in Denver, draw tens of millions of visitors. However, whether it is a World’s Fair, state fair, or county fair, people still travel from all over to exhibit and participate in the festivities.



## FYI EXPERIMENTAL AIRCRAFT ASSOCIATION'S (EAA) INTERNATIONAL FLY-IN AND SPORT AVIATION EXHIBITION

The International Council of Air Shows estimates that approximately 450 air shows are held each year, but one of these shows is special. One week each summer, hundreds of thousands of aviation enthusiasts from all over the world converge on Oshkosh, Wisconsin, for the biggest air show except

for the one held in Paris, France. The location of this event is special. In addition to its being the busiest airport in the world for one week, Wittman Air Field is home to a historic airport hangar filled with antique planes and is a short hop away from the EAA Aviation Center and Air Museum. The EAA fes-

tivities come complete with an opening parade, exhibits, acrobatic demonstrations, flybys, and shopping booths. So many people attend that every available form of accommodations from campgrounds and dormitory rooms at nearby University of Wisconsin, Oshkosh, to hotels is used every year.

Festivals celebrate a variety of special occasions and holidays. Some are derived from religious observances, such as New Orleans' and Rio de Janeiro's huge Mardi Gras festivals. Other festivals focus on activities as peaceful as ballooning (the Albuquerque Balloon Festival) or as terrifying as the running of the bulls in Pamplona, Spain. Often, festivals center on the cultural heritage of an area, such as the clan festivals that are prominent in the North Atlantic province of Nova Scotia. Seasons are also reasons for festivals such as the Harbin Ice Festival in China, Winter Carnival held in Quebec City, or Milwaukee's Summerfest. More recently, food has become the center of attention at locations such as the Taste of Chicago, the National Cherry Festival in Traverse City, Michigan, or the Garlic Festival in Gilroy, California.

Any time people visit a fair or a festival, it is a time of celebration, and what celebration would be complete without fun and food? From the Oktoberfest in Munich to Hawaii's oldest food festival, the Kona Coffee Cultural Festival, tourists and locals can expect to find a tempting array of music, foods, and drinks. Community leaders have discovered that tourists can be drawn to even the smallest communities for fun-filled events. The National Cluck-off held during Chicken Days in Wayne, Nebraska, and the Oatmeal Cook-off held at the Oatmeal Days in Oatmeal, Texas, attest to people's desires to attend and be a part of festivals from the sophisticated to the seemingly silly.

In addition to these many heritage attractions, culture provides innumerable other methods to attract visitors. For further discussion of the importance of culture's role in tourism, turn to Chapter 12.

### TOURISM IN ACTION

#### THE CANNES FILM FESTIVAL AND THE AMERICAN PAVILION

The Cannes Film Festival (officially Festival de Cannes) is held each year in the French Mediterranean. The festival is recognized as the most prestigious film festival in the world, attracting A-list celebrities, performers, directors, and cinematic staff. The international scope of the festival is evident in the languages used to communicate media coverage: French, English, Spanish, Portuguese, Chinese, Japanese, Arabic, and Russian. Select festival screenings are held in the elegant Palais des Festivals located on the Boulevard de la Croisette, preceded by the famous red carpet entrance. The buying and selling of films takes place in the adjoining Marche du Films, and the associated business of networking, business parties, press panels, and supporting activities take place in pavilions like the American Pavilion (AMPV) that are located directly on the beaches of the Mediterranean attract masses of tourists each year. All of this activity creates a variety of internship opportunities for students wanting to get an international experience.

Sources: [www.festival-cannes.fr/en/about/whoWeAre.html](http://www.festival-cannes.fr/en/about/whoWeAre.html) and [www.ampav.com/index.php/about-us](http://www.ampav.com/index.php/about-us). Retrieved on 4/15/2016.

## Commercial Attractions

In addition to the heritage attractions just discussed, a host of commercial attractions have been developed to meet travelers' leisure-time needs. Whether it's the thrill of the roller-coaster plunge, the excitement of gaming, or the joy of an armload of boxes after a day at the mall, both tourists and locals welcome the opportunity to visit and enjoy these attractions.

### Amusement Parks

The first amusement parks, which were called *pleasure gardens*, were built in England and France. Some of the largest and most popular amusement parks such as Gardaland on Italy's Lake Garda and Tivoli in Denmark attract millions of visitors each year. As the name *pleasure garden* implies, these attractions began as manicured gardens designed to provide a temporary escape for city dwellers from the everyday drudgeries of life. Rides such as carousels, games, and food and drink stands were added to these pleasure gardens to meet guest needs.

The idea of parks with rides and other entertainment activities soon found its way to the United States. Interest in amusements in the United States heightened when the Ferris wheel was introduced at the 1893 Chicago World's Fair. The name for this new amusement that became the centerpiece of most early amusement parks was taken from its inventor, George Washington Gales Ferris.

Lights, sounds, rides, games of chance, food, and a flurry of activities proved to be natural draws for those early thrill-seeking visitors to such places as Coney Island in Brooklyn or the Steel Pier in Atlantic City. Many smaller amusement parks in the United States were originally located at the edge of town, where the trolley lines stopped. These amusement parks, called "trolley parks," were established as marketing tools to encourage ridership during the slow weekend periods. As automobiles and buses replaced trolleys, these and other amusement parks faded in popularity as their captive audiences disappeared. However, the concept of family fun and amusement was kept alive during the first half of the 20th century by traveling carnivals that moved across the country as a source of entertainment at many fairs and festivals until a landmark event that occurred in 1955. That year marked the opening of Disneyland in Anaheim, California.

Disneyland was much more than an amusement park. Although it drew on some of the basic attributes of an amusement park, Disneyland was the first theme park, and its opening served to rekindle respectability and interest in amusement parks.<sup>9</sup> Since that time, the operations of amusement parks have become more sophisticated, with technology playing a far more important role. However, the basics of fun, excitement, and fantasy remain the keys to amusement park successes.

Amusement parks, family entertainment centers, and water parks serve as important recreational outlets for their host communities and also attract considerable tourism interest from the region. Some of the larger amusement parks that may

### FYI ROLLER COASTERS

Looking for a thrill? Amusement park operators know you are, and are meeting that need by pushing the limits of what the human body can stand with continuing advances in roller coaster technology. With drops of over 400 hundred feet, speeds

approaching 150 miles an hour, turns of over 120 degrees and 4 plus G-forces, adrenaline rushes are the norm. How high, fast, dramatic, and powerful will next year's ride experience be? The answer lies in design technologies and ultimate limits of what the human body

can stand during a safe yet terrifying thrill experience. With the addition of virtual reality to these rides, the only limits faced by ride designers are their imaginations.



*Ferries wheels, freefall drop towers, and roller coasters are the hallmarks of a major amusement park.* Dave King/Dorling Kindersley, Ltd

be recognizable to you include Six Flags/Elitch's Garden in Denver; Kentucky Kingdom in Louisville; Kennywood Park (one of the original trolley parks) in West Mifflin, Pennsylvania; Grand Slam Canyon in Las Vegas; and Cedar Point in Sandusky, Ohio (the largest in North America). Like so many tourism service providers, there is no industry-specific classification system for these entertainment attractions.

## Theme Parks

The distinction between amusement and theme parks is beginning to blur, but there are several unique characteristics that set them apart. Theme parks create a destination in themselves. By combining entertainment, food, and beverages and an environment different from that found outside the gates, visitors are allowed to escape reality as they enter. Through the magic of technology and elaborate staging, theme parks can replicate almost any location in the world. As visitors are transported into this simulated environment, they are afforded the luxury of being in another location without the expense or any of the potential problems of faraway travel.<sup>10</sup> It is predicted that, "[T]he popularity of theme parks and attractions will continue to grow as theme parks and attractions are more and more associated with the new vacation experience that includes the convenience of on-property accommodations, food services, recreation, shopping, recreational and entertainment activities, and other tourist services" (p. 146).<sup>11</sup>

There may be a tendency on the part of North Americans to think that they are the center of amusement park attractions. However, remember that the idea was imported from Europe and a trip to that continent will show that it has not lost its place in the theme park spotlight. Disneyland Paris; Europa Park in Rust, Germany; De Efteling Leisure Park in Kaatsheuvel, the Netherlands; and Port Aventura in Salou, Spain, are Europe's most popular theme parks.<sup>12</sup> Other park locations around the world, such as Tokyo Disneyland in Japan; Dreamworld at Coomera on Australia's Gold Coast; Lotte World in Seoul, Korea; Ferrari World Abu Dhabi; Hopi Hari in Sao Paulo, Brazil; Window of the World in Shenzhen, China; and Burlington Amusement Park on Prince Edward Island, Canada, serve to highlight the international appeal of these attractions.

Increasingly, in the creation of theme parks, we see labor, expertise, capital, and management flowing freely around the world. "People do drawings in China for delivery in Los Angeles the next morning; expatriates move around to work in India, Latin America, and Eastern Europe."<sup>10</sup>

"The contemporary American typically associates theme parks with concepts of permanence, gardened park-like settings and single price admission" (p. 51).<sup>13</sup> Theme parks meeting these criteria range from elaborate parks such as Disney World in Florida and Canada's Wonderland in Toronto to local and specialty theme parks such as Worlds of Fun in Kansas City, Missouri, and Six Flags over Georgia, in Atlanta, providing a wide range of choices for the consumer. To differentiate product offerings and compete successfully, theme park operators must become more aware of consumer perceptions and

**Table 9.3** Amusement/Theme Park Revenue Sources

Revenue Sources in U.S. Dollars	Mean Percentage of Total Revenue (%)
Admissions	39
Tickets/wristbands	20
Food	16
Birthday parties	2
Catering	3
Merchandise	6
Souvenir photography or video	1
Video/arcade games	1
Skill/team/challenge games	2
Redemption games	1
Parking	1
Rentals	1
Concessions	1
Sponsorships	1
Special events	2
Campground	1
Go-karts	1
Other	2

Source: International Association of Amusement Parks and Attractions. (2011–2012). *IAAPA Amusement Park Benchmark Study*.

concerns. In today's global market, the basics of parks development and management remain the same, but attention to detail is vital. "Whether the project is in your native country, or a continent away, it is imperative to be up to date on the demographics of your target market, what appeals to them and how to communicate with them."<sup>14</sup>

From an operating point of view, parks must create a fun atmosphere and be clean and visually pleasing. There are several core conditions that must be met by theme park operators to retain repeat patronage and attract new patrons. In addition to visually pleasing and exciting park facilities designed based on the preferences of your target markets, all the service quality principles discussed in Chapter 3 apply. For example, employees need to have good product knowledge, be able to think and feel from customers' perspective, and deliver consistency in products, services, and fun! Good communication skills by park employees are also pertinent to maintain visitors' interest and excitement. The ability to control crowds and work out the logistics of people flow are other essential components.

Park designers must provide a wide variety of rides, especially roller coasters and water rides, while reducing the perception of crowding. In addition to activities with an educational focus, new rides and features must be added on a periodic basis to maintain guest interest and ensure repeat patronage. To fund these changes, parks rely on six major sources of revenue (see Table 9.3).

## Gaming

Casino gaming has always been popular and available in many parts of the world, but it has experienced explosive growth in popularity and availability in the United States, Macao, Singapore, and Canada during the past few years. When gaming was legalized in Nevada in 1931 to attract tourists during the Depression, few would have envisioned that

some type of gaming operation would one day be found within easy access of so many people in so many locations. The same type of phenomenon happened in Macao in 2003 when China eased visa requirements, and gaming exploded as tourists flooded in.

The increasing availability and ease of access to gaming locations just in the United States has resulted in more Americans visiting casinos than attending major league and collegiate football games, arena concerts, symphony concerts, and Broadway shows combined, as shown in Figure 9.1.

From New Mexico to Connecticut, casinos all over the country are in the midst of a high-stakes gamble: remaking themselves into full-service, if not luxury, vacation destinations. Taking their cue from Vegas, they're throwing up plush hotels, high-end shopping malls and even kiddie amusement parks, all in an unprecedented bid for the family-vacation dollar (p. W4).<sup>15</sup>

Five basic factors combine to explain the current success and future prospects of the gaming industry. First, voters have been increasingly willing to approve new gaming alternatives because these activities have come to be viewed as a “voluntary tax”<sup>16</sup> or form of economic development while politicians have been unwilling or unable to pursue new taxes.<sup>17</sup> Second, more people than ever before are choosing casino gaming as an acceptable leisure activity. Four out of five adults now report that they consider casino gaming to be a “fun night out.”<sup>18</sup> Third, retirees constitute the single largest segment of the casino market,<sup>19</sup> and their numbers continue to grow. Fourth, casinos have devised marketing programs to attract the previously ignored “low roller,”<sup>20</sup> and fifth, expanded availability of gaming opportunities is attracting many individuals who have never before visited casinos for entertainment.<sup>21</sup>

With the advent of more locations, accessibility, and new technologies, the characteristics of gaming as a leisure-time activity have changed. Currently, there are five broad categories of gaming alternatives:

- Traditional, full-scale casino gaming, including well-established locations in Atlantic City, Las Vegas, London, Macao, and Monte Carlo
- Historic, **limited-stakes** operations such as those in Colorado's mining towns
- “Dockside” (riverboat) casinos, such as those operating in Missouri and Illinois, and on the Mississippi Gulf Coast
- Gaming on Native American reservations varies all the way from limited-stakes, small-scale operations such as the Sky Ute Casino in Ignacio, Colorado, to large-scale Vegas-style operations such as Foxwoods on the Mashantucket Pequot reservation in Connecticut
- Casino on ocean cruises where the slot machines and gaming tables begin operation when the cruises reach international waters.

Table 9.4 highlights some of the milestones in the growth and availability of gaming activities.

Casino gaming is one of the most regulated businesses around the world. Gaming businesses must comply with local, state, and federal regulations. These include complying with tax laws, treasury department regulations, and rules governing alcohol consumption, types of games allowed, and sizes of bets. The size of casino operations is measured by **gross gambling revenues (GGR)**. GGR is the amount wagered minus the winnings returned to players.

## Gaming Segments

The development of new games and expanded gaming availability have given rise to several gaming segments, each with a profile somewhat different from the others and



**Table 9.4** Milestones in Gaming's History and Growth

Year	Event
1931	Casino gaming legalized in Nevada.
1969	Casino gaming legalized in Canada.
1978	Casino gaming legalized in Atlantic City.
1988	Indian Gaming Regulatory Act made gaming possible on tribal lands in almost every state.
1989	Limited-stakes gaming in Deadwood, South Dakota.
1989	Limited-stakes riverboat gaming legalized in Iowa (limits removed in 1994).
1990	Limited-stakes gaming in Central City, Cripple Creek, and Black Hawk, Colorado
	Government-operated Crystal Casino opened in Winnipeg, Canada.
1990	Riverboat gaming legalized in Illinois.
1990	Riverboat and dockside gaming legalized in Mississippi.
1991	Riverboat gaming legalized in Louisiana.
1992	Cruise ships permitted to operate gaming activities on the high seas.
1992	Casino gaming legalized in New Orleans.
2002	Liberalization of casinos in Macao ending a 40-year monopoly.
2003	Visa restrictions on mainland Chinese travelers to Hong Kong and Macao were relaxed, and Macao boomed as a gaming destination.
2005	Casino gaming legalized in Singapore, with two licenses issued in 2006 as part of the integrated resort development.
2006	Gaming revenue in Macao exceeded that of Las Vegas strip.

each with different benefits sought from gaming. Four broad segments appear to be emerging:

1. *High rollers.* This segment is composed of sophisticated gamblers (both domestic and foreign), to whom traditional gaming was originally targeted. These players tend to be wealthy, older, and male. High rollers tend to play games of skill rather than luck.<sup>22</sup> Gaming venues outside of the United States have been especially adept at serving this segment.
2. *Day-trippers.* Retirees dominate this segment. These players make several short-duration trips to operations within easy driving distance and wager relatively significant amounts per trip but tend to play slots and other video gaming options.
3. *Low-stakes/new adopters.* Players in this segment have discovered and accepted gaming as an interesting day or evening diversion when it is close to home or when traveling. Members of this segment include the growing cadre of aging baby boomers and their retiree parents, with the time and money to enjoy the entertainment associated with gaming. Other players in this segment are younger adults who grew up with computers and playing video games.<sup>23</sup>
4. *Family vacationers.* Owing in part to the development of complementary tourism attractions such as theme parks, this segment tends to play as an offshoot of a family vacation.

Through the use of customer loyalty programs, casinos are collecting marketing data to target each segment and cross-sell related products and services. Gaming has

become so important as a tourism activity that we will take a closer look at casino resorts in Chapter 10.

## Place Your Bets

The availability of new and expanded gaming opportunities for tourists to try their hands at “Lady Luck” is likely to continue to grow. Although many present and future gaming locations do not have the marketing advantages of destinations such as Macao, Monte Carlo, or Las Vegas, they do have one factor in common with already well-established and successful operations in places like Hull, Ontario; Atlantic City; and Laughlin, Nevada: a location within easy driving distance of a large population base. This ease of access, combined with the social acceptance and novelty of gaming as recreation, has attracted many first-time players and should continue to generate repeat visits.<sup>24</sup>

Serving this growing market for locals and tourists who are seeking the excitement and entertainment of gaming is creating attractive investment and employment opportunities. Continued growth has brought both positive benefits, as well as concerns. In one mega-casino destination community, Macao; “[C]ommunity leaders suggest that although casino gaming does make positive social, economic, and environment contributions to the community, greater effort is needed to minimize its negative social and environmental consequences” (p. 737).<sup>25</sup>

In contrast with other segments of the tourism industry that operate on very thin profit margins, gaming generates margins of up to 35%. Gaming opportunities continue to grow as visitors can choose from a variety of venues including riverboats, Indian reservations, destination resort casinos, and the traditional casino meccas of Las Vegas and Atlantic City. International destinations such as Singapore, Isla De Margarita off the Venezuelan coast, and Bermuda tempt tourists to gaming tables from around the world. Table 9.5 shows the diversity and size of gaming venues in the largest gaming markets in the world.

Most of this growth can be attributed to the attractiveness of slot machines, which generate over 70% of casino revenues in the United States. The average quarter slot player feeds \$2,500 into machines within a three- to four-hour playing session. Nevada state law requires that casinos yield a minimum 75% payout and New Jersey requires 83%, but most of the casinos entice players with much higher payouts. New casinos will frequently offer the highest payouts, often returning 93.4% to players, whereas the payout may drop to 87% at the more established casinos. These figures represent the average of all of the slot machines within each casino. Each machine is programmed to set different yields, so a machine may pay out higher or lower.<sup>26</sup> “Today’s computerized slot machines generate thousands of random numbers every second, even when nobody is playing them. . . . Press a button 1/100th of a second sooner or later, and the number is different” (p. 3A).<sup>19</sup>

**Table 9.5** Major Casino Markets Based on Gross Gambling Revenue

Location	2012 Gross Revenues (\$) (billion)
Macao, China	38.2
Las Vegas, Nevada	6.2
Atlantic City, New Jersey	3.1
Chicago, Illinois/Indiana area	2.2
Detroit, Michigan	1.4

Source: From IBISWorld Industry Report. (March 2016). *Global Casinos & Online Gambling*; and American Gaming Association, 2013 State of the States, The AGA Survey of Casino Entertainment, *Top 20 U.S. casino markets 2012*, Washington, DC.

## Shopping

Shopping may be part of the travel experience or it may be the primary focus of travel. Shopping is an activity that crosses all market segments. “As long as cities have existed, the pattern of ‘going into town’ has included a leisure experience, and visiting towns is an essential part of the tourist market” (p. 12).<sup>27</sup> Whereas some visitors, like Marie in the chapter opener, simply pick up necessities or souvenirs as reminders of their travels, gifts for friends and relatives, or conversation pieces and evidence,<sup>28</sup> others may travel to specific locations for the primary purpose of shopping. “Nearly nine out of ten, or 87%, of overseas travelers report that they shopped during their visit to the United States, according to a study conducted by the U.S. Department of Commerce and Taubman Centers Inc.”<sup>29</sup>

“Shop till you drop.” This statement applies to more than just local shoppers as more and more malls are turning to tourists in search of new customers and growth. Shopping malls have increasingly become popular tourist attractions. Despite “placelessness” (homogenized, modern, synthetic landscapes) assumptions, shopping malls, and the experiences they facilitate do increasingly matter to those visiting them.<sup>30</sup> For some travelers, a visit to a mega-shopping mall has become reason enough to take a trip, especially as these malls are transforming themselves into tourist destinations by adding amusement parks and other cultural attractions and entertainment activities.<sup>31</sup>

In fact, the number-one tourist attraction in Minnesota is a shopping mall. The Mall of America in Bloomington, Minnesota, attracts over 43 million visitors a year. Based on its resounding success as a tourist attraction, plans are underway to more than double the size of the mall by adding more retail and office space, and entertainment opportunities as well as additional hotel rooms and other services.<sup>32</sup>

What brings visitors from far and wide to these shopping meccas? It’s more than just the wide array of retail shopping alternatives. For example, the Mall of America comes complete with an 18-hole miniature golf course, a 14-screen theater, and 9 nightclubs.



*Night markets as popular tourist attractions in many countries.* Antonio Gravante/Fotolia

## FYI SHOW ME THE MONEY

Mainland Chinese represent 78% (or 47 million) of the visitor arrivals to Hong Kong. Shopping is one of the major motivation factors for mainland Chinese to visit Hong Kong, which positions itself as a shopping paradise.

The per capita spending of Chinese visitors is around \$1,100, of which \$800 is spent on shopping. What do they buy? The top five categories are jewelry and watches, clothing, leather (e.g., purses), cosmetics, and electronics and

cameras. In fact, retailers of jewelry and luxury brand goods reported that 80%–90% of their sales come from mainland visitors.

*Source:* Based on data from a *Statistical Review of Hong Kong Tourism 2011, 2014*.

But as successful as the retailing and attraction mix is at the Mall of America, management is not counting on its past decisions for future success. Additions like Underwater World, a 1.2-million-gallon walk-through aquarium, provide just one more reason for shoppers to plan a trip to experience a unique mall environment.

Other malls, such as Woodfield Mall in Schaumburg, Illinois, and Gurnee Mills Mall in Gurnee, Illinois, do not rely on added attractions to draw in visitors, just good, solid shopping opportunities. And does this work? The answer is a definite yes, as these two malls are Illinois' number-one and two tourist attractions, drawing in over 28 million visitors a year. Marketing efforts that provide incentives to tour operators and support from tourist bureaus keep the shoppers coming back in record numbers.

All of these malls pale in comparison to the roster of megamalls that dot the Asian continent. Nine of the ten largest malls can be found on this continent. Based on leasable space, only the West Edmonton Mall can be found in the top ten. The others are located in China, Malaysia, the Philippines, and Turkey. In addition to shopping, foodservice, and theaters, these attractions include everything from ski slopes, casinos and human-made beaches to aquariums, theme parks, spas, hotels, performing arts venues, and IMAX theaters.

When you think of a trip to the Big Apple you probably imagine visiting its famous sites, such as the Empire State Building and the Statue of Liberty. But international visitors think of New York City as a shoppers' paradise. Shopping is the number-one activity for overseas visitors to New York City, who account for over 70% of visitor retail sales.<sup>33</sup> In fact, Bloomingdale's claims that it is the city's third largest tourist attraction.<sup>34</sup>

When it comes to shopping, the motto "build it and they will come" works! Ontario Mills Mall, located 60 miles east of Los Angeles, California, attracts over 20 million shoppers each year. About 40% of these shoppers are tourists, coming from as far away as Australia, Hong Kong, Japan, Malaysia, and the Philippines, while tour buses, approximately 2,000 a year, bring in the not-so-distant tourists. All of this tourist traffic doesn't just happen by accident. The mall has an office of tourism and marketing staff targeting not only countries but also tour operators, airlines, and other travel industry representatives.<sup>35</sup>

The importance of shopping to tourism has become so significant in recent years that it has given rise to a distinct category of travel with a purpose: **shopping tourism**. Although the activity is distinct and growing, there is still some disagreement on how it should be defined. Even though there may be some disagreement as to a common definition, there seems to be one common theme; shopping is the main purpose of the trip. "Studies on the role of shopping in tourist destination choice and experience identify four types of tourists (i.e., serious shoppers, non-shoppers, arts-and-crafts shoppers, and not-so-serious shoppers) based on a combination of the importance of shopping in destination choice and actual participation in shopping activities" (p. S14).<sup>36</sup>

## Live Entertainment

Visiting heritage and commercial attractions and participating in activities at these locations could easily be classified as entertainment. However, live entertainment opportunities fill a special need for travelers and others seeking additional leisure-time activities. The choices of live entertainment venues can run from the deafening crowds at hallmark sporting events such as the World Cup or the Super Bowl to the serene pleasures of the ballet.

## Sporting Activities

As highlighted in Chapter 2, sports have drawn visitors to scheduled events from near and far for thousands of years. Over 3,500 years ago, the Greeks initiated the idea of staging athletic competitions. The most famous of these competitions were the Olympic Games held in Olympia. The competitions began as part of their religious festivals and were staged in towns throughout Greece and Italy. The original competitions in Greece were organized as contests, but the Romans expanded the idea and staged them as games for public entertainment. Although the grand athletic competitions and festivals such as the classical Olympic Games faded and disappeared under Roman rule, the

### TOURISM IN ACTION

#### BUILD IT AND THEY WILL COME

A mall is a mall is a mall. Not so! Imagine a shopping and entertainment paradise that covers over 110 acres and attracts over 20 million visitors a year. Now, imagine this attraction sitting on the plains of Canada in the city of Edmonton, Alberta. If you have not visited this “shopping center,” then you have missed seeing and experiencing one of the biggest malls on Earth—West Edmonton Mall. This mammoth package of tourist services attracts people from all over the world in record numbers.

The West Edmonton Mall is not like most other malls: It is massive in size and excites the imagination. Sure, it has shops, shops, and more shops. In fact, it has more than 800 stores. But the mall has more than shops and shopping to attract visitors. Almost 40% of the mall’s space is dedicated to attractions as well as a hotel and more than 100 food outlets, and it is all under one roof. It takes over 15,000 employees to accomplish all of the administrative and operating duties to keep this giant enterprise ticking.

The Fantasyland Hotel has 355 guest rooms, but 127 of these rooms have been specially “themed” and decorated to fulfill guests’ desires for travel adventures. When it’s time to take a break from shopping there are a number of things to do and see, including Galaxyland Amusement Park, World Waterpark, Ice Palace, Europa (miniature) golf course, Deep Sea Submarine Adventure, Dolphin Lagoon and Sea Life Caverns, a full-scale casino, a bowling emporium, three cinema complexes, and a replica of one of the ships of Christopher Columbus.

Deciding what to do can be as difficult as deciding what to buy. Viewing the many animal attractions exhibiting more than 200 species of animals such as dolphins, fish, exotic birds, and a colony of breeding penguins takes you back to nature. A ride on the Mindbender roller coaster will find you dropping 14 floors at over 70 mph, while the tranquility of the submarine ride will transport you to exotic coral reefs. Or, you can splash down into the water park that covers an area the size of five NFL football fields.

The success of West Edmonton Mall and Mall of America as retailing and tourism magnets has set the stage for even bigger and better venues. Consider the South China Mall in Dongguan, China, with 7.1 million square feet; the Golden Resources Shopping Mall in Beijing, China, with 6 million square feet; and the SM Mall of Asia in Pasay City, Philippines, with 4.2 million square feet; and the West Edmonton Mall begins to look small.<sup>38</sup> What marketers at each of these and other megamalls have learned is that tourists are drawn to a shopping experience where they have the option of staying overnight while enjoying themed attractions, dining, and entertainment options.

*Sources:* From <http://westedmall.com>; Carlisle, Tamsin. (1997, March 7). Gamble by the world’s biggest mall pays off. *Wall Street Journal*, pp. B1, B18; World’s ten largest shopping malls. (2008, January 30). *Forbes.com*.



idea did not go away. Now, mega tourism sporting events such as the Olympics and FIFA World Cup Soccer that draw athletes and spectators from around the world offer unique opportunities for host countries and cities. Not only do they gain name recognition and top-of-the-mind awareness from being in the international media spotlight, but they also gain the opportunity for cross marketing other tourism venues. Specifically, “[t]he destination can also be promoted by hosting additional sport and cultural events, fairs or exhibitions, cultural festivals, or concerts staged in the new multipurpose facilities and congress centers initially constructed for a megaevent” (p. 219).<sup>37</sup>

The idea of traveling for sports has continued to grow, and it has been suggested that, “[t]here are three types of **sport tourism**: (a) active sport tourism where participants travel to take part in a sport; (b) event sport tourism where participants travel to watch a sport; and (c) nostalgia sport tourism where participants visit sports-related attractions such as halls of fame, famous stadia, or sports-themed cruises” (p. 207).<sup>39</sup> Modern-day professional and intercollegiate sporting events such as football, soccer, baseball, basketball, and hockey draw millions of visitors each year to regularly scheduled games and playoffs. Special sporting events such as the Super Bowl, the Stanley Cup Championship, the World Cup, the Pro Rodeo Championship, the Indianapolis 500, and the College World Series, to name just a few, attract international attention and vast numbers of spectators to host communities each year. These same sports are often played at local and regional levels and, although they may not draw the same crowds, they are just as important to the participants and spectators who are attracted to the excitement of the event. In addition to team sports, a wide array of sporting activities such as golf, tennis, swimming, hiking, biking, fishing, rock climbing, and snowboarding/skiing round out the list of alternatives from which travelers can choose.

The National Basketball Association (NBA) was the growth sport of the 1980s, whereas the National Association for Stock Car Racing, better known as NASCAR, was the fastest-growing spectator sport in the United States during the 1990s. Which sport has taken over the title of fastest growing spectator sport of last decade? The answer is Professional Bull Riders (PBR). From 80,000 during the founding year in 1994, attendance at PBR events has grown into the millions. And, the sport is expanding globally with events in Canada, Mexico, Brazil, and Australia.<sup>40,41</sup>

## The Performing Arts

The performing arts “including plays, musicals, opera, ballet, orchestral concerts, singers, comedians, dancers, and rock and pop groups” (p. 671),<sup>42</sup> have been popular forms of entertainment for thousands of years. For some destinations, such as Branson, Missouri, they serve as primary tourism revenue generators; for other destinations, such as Las Vegas, Nevada and Vienna, Austria, they serve as one more ingredient in the menu of attractions and entertainment that the area can boast of to interest visitors to encourage them to extend their stay. Live entertainment has always been a draw for travelers. For some it may be the opportunity to select from a wide variety of plays in London’s theater district; for others, it is a chance to attend a concert featuring the newest entertainment idol. For still others, it can be the opportunity to attend a country jam or an opera performance.

The classical performing arts include theater (live stage plays, not the movies), ballet, opera, concerts, and the symphony. Contemporary performing arts include stand-up and improvisational comedy, rock concerts, and even the band that is playing in your favorite local “hot spot.” Performing arts entertainment, especially the classical forms, are frequently offered in locations such as concert halls (the Lincoln Center in New York City, the Athens Concert Hall in Athens, Greece, and the Forbidden City Concert Hall in Beijing, China) developed for the express purpose of showcasing the art form.



*Opera is a popular type of performance in Europe for tourists.* Antonio Gravante/Fotolia

Theaters, concert halls, and other large-seating-capacity facilities exist in almost all cities throughout the world and each, no matter how plain or impressive, serves as a draw for visitors. Some, such as the Sydney Opera House, are even renowned as landmarks. Many performing arts companies, whether a repertory acting group or symphony orchestra, have a season (a few months each year) when they stage productions and perform for the public. For example, the Desert Chorale is a classical choir that performs each summer in Santa Fe, adding to the entertainment options offered in that renowned arts city.

Think for a moment of all the performing arts productions you have enjoyed in the past year. Which were of the classical form and which would be considered contemporary? Maybe you even have experience as a participant in the performing arts? Band? Chorus? Local theater? If you traveled to enjoy any of these performances you can call yourself an arts tourist. We will discuss other cultural aspects of tourism in Chapter 12.

## Summary

So many things to do and so little time sums up the delightful dilemma travelers face when selecting from the menu of attractions and entertainment options. How we choose to spend our leisure time while traveling can find us seeing and doing things ranging from the simple to the exotic. Sometimes we look for the comfort and convenience of the familiar, and at other times we seek new or unusual sights, sounds, and activities.

The list of leisure-time alternatives from which visitors can choose can be conveniently classified into three broad categories: heritage attractions, commercial attractions, and live entertainment. Each of these categories contains even more choices, ranging from muse-

ums and zoos to gaming and shopping, and the list goes on. Attraction and entertainment alternatives are limited only by our curiosity, imagination, ingenuity, and resources.

Heritage attractions provide a unique two-way window that allows us to peer into the past for a fleeting glimpse of what the future may hold. Whereas heritage attractions meet our needs for self-fulfillment and education, commercial attractions can transport us to lands of make-believe for excitement and enjoyment. When live entertainment is added to the mix of other attraction and entertainment opportunities, travelers are faced with a broad menu of choices for filling their leisure time.

Whether our leisure-time choices are simply a sideline along the way or the main reason for a trip, attractions and entertainment add special spice and memories to our travels. Although the goals of providing visitors with self-fulfillment and enjoyment may be common threads that tie attractions and entertainment together, there are a variety of business

decisions that make these operations challenging. They may be operated on either a for-profit or a not-for-profit basis, creating the need to look to different funding sources. They are typically affected by dramatic shifts in seasonal demand, creating the need for skillful marketing, management, and financial decisions for continued success.

## You Decide

The following letter is mailed to leaders of senior citizen clubs and organizations by the Pot O' Gold Casino.

Dear Group Leader:

Great group leaders are hard to find. That is why we wanted you to know about our group leader commission rates. The Pot O' Gold Casino offers one of the best leader incentive programs in the business. We pay you a commission based on a minimum five (5)-hour Casino stay.

On your group's arrival, a Lucky Leprechaun hostess will greet your group, verify group size, collect \$20 from each group member, and give each member a \$20 cashback coupon that can be exchanged for a roll of quarters at the cashiers' cages. In addition, each member receives a Gold Funbook, which contains \$10 worth of coupons that can be used for food, beverages, keno play, and gift shop discounts. We also provide your group with bus transportation to the casino!

As leader of the group, you will be paid the following commission in cash on your arrival:

<i>Group Size</i>	<i>Commission Rate (per person)</i>
10–15	\$3
16–25	\$4
26–39	\$5
40+	\$6

So call our Tour & Travel department at 1-800-POT-GOLD today!

Sincerely,

Etta Tsosie

Tour and Travel Coordinator

Note: Some group leaders donate their commission payment to their organization; others do not.

Why does the casino provide a free bus to the casino for groups? (Hint: minimum stay) Should this type of marketing be allowed by casinos?

## Net Tour

To get you started on exploring Internet links for this chapter, please see

[whc.unesco.org/en/35](http://whc.unesco.org/en/35)

[www.americangaming.org](http://www.americangaming.org)

[www.discoverhongkong.com/eng/shop](http://www.discoverhongkong.com/eng/shop)

[www.nps.gov](http://www.nps.gov)

[www.bie-paris.org/](http://www.bie-paris.org/)

[www.iaapa.org/](http://www.iaapa.org/)

[www.thedubaimall.com/en](http://www.thedubaimall.com/en)

[www.museumsassociation.org/](http://www.museumsassociation.org/)

[www.london2012.com/](http://www.london2012.com/)

[www.teaconnect.org](http://www.teaconnect.org)

[www.iaee.com](http://www.iaee.com)

## Discussion Questions

1. Why are attractions and entertainment important components of the tourism industry?
2. How does seasonality create marketing, management, and financial challenges for attraction and entertainment operators?
3. Explain the similarities and differences between heritage attractions and commercial attractions.
4. Why has gaming experienced a surge in growth and participation?
5. How have shopping malls been turned into tourism attractions?

## Applying the Concepts

1. Ask several people of different ages, occupations, and both genders to describe their favorite leisure-time activities while traveling. Make a list of these activities and note the similarities and differences depending on whether they are traveling on business, for pleasure, or to visit friends and relatives.
2. Prepare a list and a basic description of attraction and entertainment alternatives that are available in your area. Limit yourself to ten entries, but be sure to include at least one location or event from each of the major categories: heritage attractions, commercial attractions, and live entertainment venues. After you

- have prepared your list, fill in the hours of operation, admission or entry fees (if any), services offered, and whether operations are for-profit or not-for-profit.
3. Arrange to visit an attraction or entertainment location in your area and schedule an interview with the manager or local administrator. Your interview should include questions about the typical marketing, management, and financial issues this person faces in completing his or her job duties.
  4. Browse the Internet for locations or organizations mentioned under the headings of heritage attractions, commercial attractions, and live entertainment venues in this chapter (limit your search to one per heading). Describe the information that is available on each site.
  5. Review the concept of tourist motivation learned in Chapter 2. Develop a list of possible motivations for visiting heritage attractions, commercial attractions, and live entertainment venues.

## Glossary

- Appropriations** Funding provided through governmental entities.
- Attractions** Natural locations, objects, or constructed facilities that have a special appeal to both tourists and local visitors.
- Botanical gardens** Gardens dedicated to the preservation, display, and study of growing plants.
- Concessionaires** Individuals or companies who have been granted the right to provide a particular service such as food service, guide service, sanitation service, or gift shop.
- Curator** Person in charge of a museum.
- Docent** A museum guide.
- Events** Special occasions and scheduled activities.
- Fairs** Temporary gathering places for the exhibition of products and services, often accompanied by entertainment and food and beverage services.
- Festival** A time of celebration, with scheduled activities.
- Gross gambling revenues (GGR)** The amount wagered minus the winnings returned to players.
- Heritage attractions** Places, structures, and activities with historical and cultural significance.
- Leisure activities** Activities performed during one's free time away from work.
- Limited stakes** Legislative limits placed on the dollar amount that can be wagered on any single bet (typically \$5).
- Line of credit** An agreement with a bank in which loans are automatically made up to an established limit.
- Museum** According to the International Council of Museums: a non-profit-making, permanent institution, in the service of society and its development, and open to the public, which acquires, conserves, researches, communicates, and exhibits, for the purposes of study, education, and enjoyment, material evidence of humans and their environment.
- National monument** A landmark, structure, or other object of historic or scientific interest.
- National park** A large natural place having a wide variety of attributes.
- National preserve** An area in which Congress has permitted continued public hunting, trapping, and oil/gas exploration and extraction.
- National scenic trail** A linear parkland.
- Recreational activities** Activities and experiences people pursue for personal enjoyment.
- Shopping tourism** Shopping is the main purpose of the trip.
- Sport tourism** Travel to participate in, watch, or visit sporting events, venues, and attractions.
- Venue** The location of an event or attraction.
- World Heritage Sites** Sites identified for preservation because of special cultural or heritage interest by the United Nations Educational, Scientific and Cultural Organization (UNESCO).

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# CHAPTER 10

## Destinations

*To many people holidays are not voyages of discovery, but a ritual of reassurance.*

—PHILIP ANDREW ADAMS

### LEARNING OBJECTIVES

**After you have read this chapter, you should be able to:**

1. Explain how destinations combine many of the suppliers in the tourism industry.
2. Describe the similarities and differences among destination resorts, resort areas/communities, and urban tourist destinations.
3. Identify the major classifications of destination resorts.
4. Identify the types of services and facilities that may be included in resort operations.
5. Identify the recreational amenities that guests may encounter at resort locations.
6. Explain why cruise ships are considered floating destination resorts.

### CHAPTER OUTLINE

#### Dreams Can Come True

##### Introduction

##### From Resorts to Urban Destinations

##### Classifying Destinations

##### Far from the Maddening Crowd

##### Links to the Past

##### Seasonal Delights

##### Spotlight on Sporting Activities

Snow Holiday Resorts

Golf Resorts

##### Year-Round Playgrounds

Spas

Cruise Ships

Casino Resorts

Integrated Resorts

##### Bright Lights and City Sights

##### Building on Success

##### Summary

##### You Decide

##### Net Tour

##### Discussion Questions

##### Applying the Concepts

##### Glossary

##### References

## Dreams Can Come True

The brochures and websites answered most of their questions, but it was Richard and Connie's first time and they were still a bit nervous. Had they forgotten anything? Had they picked the right time and place? Would they really have as much fun as their friends had said? Would it be anything like the *Love Boat*?

With a little encouragement from their friends and a lot of help from their travel agent, Vanessa, Richard, and Connie were set to take their first cruise! Still, there were many questions and uncertainties as they prepared to board the plane to Miami.

Connie had always wanted to take a cruise because she thought it would be relaxing and romantic: no meals to prepare, no dishes to wash, being waited on hand and foot, sitting by the pool and reading, moonlight walks on deck, and dancing the night away! However, Richard was easily bored and he had dreaded the thought of being “stuck” on a ship in the middle of nowhere with nothing to do.

When Connie met with Vanessa to book her dream vacation cruise, she shared some of Richard's concerns. As Vanessa described the different cruise ships, ports of call, and onboard activities that would meet their needs, Connie knew it would be everything she had imagined. And there would be more than enough opportunities for Richard to be entertained for four days.

Their cabin was smaller than a hotel room, but it didn't matter because they were seldom there. With gourmet meals, 24-hour buffets, shows, games, dancing, gambling, shopping, and shore excursions, there just weren't enough hours in a day. It seemed as if the staff had thought of everything! There was even an afternoon on the ship's own private island, complete with beachcombing and snorkeling lessons. The activities were endless.

As Richard and Connie prepared to disembark, they were presented with their bill. Even though Vanessa had explained the required tipping policy and the fact



Many different sights found in Sydney, Australia, make it a unique destination. Photo by Cathy Hsu

that all beverages other than coffee, tea, and juices would cost extra, they were a bit surprised when they saw their final bill. In addition to the bar tab, there were charges for the shore excursions, Connie's trip to the spa, and the photos. It all added up. Still, the only thing they knew for sure was that four days just had not been long enough. They were ready for another cruise; but the next time, Richard said, the cruise should be for a full seven days! There had been too many things to do, not enough time, and the price was right!

## Introduction

Up to this point, our journey through the tourism industry has introduced you to a variety of tourism suppliers. Each of these suppliers, from those providing transportation to those providing entertainment, plays an important role in meeting specific needs. However, as you will learn in this chapter, when the services of these suppliers are brought together in one location, we have arrived at another important stop on our journey—tourist destinations. These destinations can be found in locations ranging from rural retreats to bustling cities.

Destinations can be popular tourist cities and communities like Paris, France; Vienna, Austria; San Diego, California; and Branson, Missouri. They can be attractive geographic regions like the Napa Valley in northern California or the Costa del Sol in Spain. Or they can be the final stop on a trip to visit friends and relatives. In fact, the final stopping place on any trip can technically be considered a destination, but in this chapter, we are interested in the locations, communities, properties, and, yes, even ships that have evolved or been developed primarily to serve the needs of vacationers.

In a hectic world, filled with time pressures and a multitude of demands, people often want to “escape” daily routines. Destination locations provide the perfect setting for a brief change of pace or a more extended stay accompanied by a variety of activities. Destination locations can come in all sizes and shapes and are found almost everywhere, from mountaintop resorts to cruise ships sailing the high seas to artificially engineered environments such as Dubailand.

As we learned in Chapter 1, geography plays an important role in the development of tourism activity. People are naturally attracted to areas with pleasing natural beauty such as the snow-white sands of Destin, Florida, or the majesty of the Austrian Alps. They are also attracted to areas that have developed as entertainment magnets such as Las Vegas, Nevada, and Orlando, Florida. And areas with mild climates, such as the island paradises of the Caribbean and the Canary Islands off the coast of Africa, have been consistently popular with tourists.

As destinations grow in popularity, so do the services needed to meet visitors' needs. Airport services are enhanced; accommodations are improved and/or expanded; restaurants, retail shops, and visitor information services are added to deal with growing popularity. At some destinations, such as the islands of Hawaii, these services and facilities have often been added with little planning or consideration for the scenic beauty of the location. At other destinations, such as Cancun, Mexico, the national government has developed underutilized natural resources, beautiful beaches, and a near-perfect climate into a tourist destination.

All of the examples just mentioned have another important destination component in common: ease of access. Even locations that may not be pristinely beautiful can develop into popular destinations if they are easily accessible and close to heavily populated areas. For example, the gravel beaches on the cold English Channel at Brighton have become a popular summertime destination. With over 9 million potential visitors living in London, only a short train or car ride away, it is no wonder that Brighton has become a vacation playground.

## From Resorts to Urban Destinations

The Romans were the first to enjoy the pleasures of resorts, which were built around public baths located at natural mineral springs like those found in Bath, England. Visiting these natural hot springs baths and enjoying the relaxing atmosphere of the destination became the primary reason for travel. However, with the fall of the Roman Empire, travel for pleasure and leisure pursuits disappeared. When travel once again became safe and practical during the Industrial Revolution, the popularity of visiting resorts for enjoyment and pampering once again spread throughout Europe. With newfound wealth and leisure time, members of the upper classes sought pleasurable places outside of the industrialized cities to enjoy the Sun, sea, sand, snow, and more.

The first resorts in America, like their European counterparts (especially those found in the Czech Republic), were built around spas and focused on health and escape from the daily rigors of life. Many of these early spas—such as The Greenbrier at White Sulphur Springs, West Virginia; The Homestead at Hot Springs, Virginia; Ein Bokek near the Dead Sea; and Karlsbad in the Czech Republic—have since grown into world-class destinations. Although these early resorts were built around spas and the idea of rest, relaxation, and rejuvenation, later resorts began to expand by appealing to a broader cross section of market segments. To these new resort-goers, recreation became more important than simply a restful break, and a wider variety of activities was added to the mix of facilities and services provided, including retail shops, recreational facilities, and casinos.<sup>1</sup>

**Resorts** are now much more than just health spas or locations with a single purpose, catering to a single target segment. Resorts are self-sufficient holiday complexes, master planned with the ambitious goal of captivating the guests and giving them no reason to leave the premise. They are places to make social contacts, attend social occasions, and improve health and fitness. In fact, both **resort destinations**, such as Tuscany, Italy, and Vail, Colorado, and **destination resorts**, such as Disney World and the Palm Island Resort off the coast of Dubai, now appeal to very diverse market segments ranging from individuals and families to conventions and corporate meeting groups. Many of these resorts are marketed as timeshares, as previously discussed. You can find settings that fit the description of resort destinations in communities and small towns such as Jackson Hole, Wyoming, as well as in destination locations such as Mackinac Island, Michigan. Visitors also enjoy self-contained resort properties such as Marriott's Tan-Tar-A Resort, Golf Club and Spa at Lake of the Ozarks, Missouri, and Sheraton's San Marcos Resort near Phoenix, Arizona. Certain cities around the world have even developed into urban tourist destinations. Hong Kong, Paris, Rome, Vienna, San Francisco, San Antonio, Seattle, Singapore, and Vancouver can all claim to be great destinations that encourage and promote **urban tourism**. Whatever the location, tourist destinations are special places that meet guests' desires for rest, relaxation, fun, excitement, and entertainment, even when visits are combined with the demanding schedules of business and professional meetings.

## Classifying Destinations

There are several different types of locations and properties that can be classified as destinations. Although each of these locations may share some of the same activities, facilities, and amenities, the operational issues they face, such as staffing, meeting varying guest expectations, and managing cash flows, will differ depending on geographic location, size, markets served, and primary season of operation. What is common with all destinations is, "a geographical cluster of tourism resources rather than a political barrier" (p. 340).<sup>2</sup>

Operational issues were probably not on the minds of early resort developers, because many resorts and destinations were simply developed in locations with natural beauty, favorable climates, and easy transportation access. In fact, one popular classification system





and all of the supporting facilities needed to draw and host visitors. It provides a convenient approach to classifying these destinations based on seasonality and level of commercial development.

As we discussed in Chapter 9, seasonality is frequently a major concern for managers of attractions. The same is true for destinations. It is obvious that snow resorts in the Northern Hemisphere will experience the peak of their season during the winter months. To the contrary, similar resorts in South America see their greatest demand during June through September. However, seasonality is a more complex concept than simple weather conditions at destinations. Seasonality is also a factor, because of the weather conditions and life patterns of people's hometowns. If you live in the northern part of the Northern Hemisphere, such as Saskatoon, Saskatchewan, during the winter, you may dream of a vacation to Florida, the south of Spain, or the Caribbean to escape the cold. A resident of Phoenix, Arizona, or Houston, Texas, may save up vacation time to travel to the Rocky Mountains during August, fleeing the sweltering heat or humidity of the dog days of summer. So, in addition to the direct effect of weather on a destination, weather has an impact on a destination because of its effect, especially if it is predictable, on the travel desires of potential customers in important geographic market areas. Hawaii has beautiful weather all year long, but its primary season is winter because that is when potential visitors are most likely to want to travel to Hawaii to escape the cold.

Interestingly, sometimes neither the weather at the destination nor in primary geographic market areas explains the ebb and flow of demand to the destination. Sometimes it is simply that one season is traditional for travel to that destination. Look back at Figure 9.2. Note the peak periods for White House Visitations. What is the single unifying reason for the ups and downs of visits? School and work vacation periods. Although the weather in Washington, D.C. is less than ideal during the summer, The White House experiences its longest sustained peak season during the summer months, because families can travel then.

Using a concept called **strategic grouping**, we can categorize these destinations into groups that share similar characteristics. Although all destinations will not easily fit into a grouping, these groupings provide a useful framework for understanding the similarities and differences among types of destinations.



*The soothing waters of spas served as destinations during the Roman Empire and continue to attract visitors in the 21st century. Photo by Thomas Sun*

## FYI “AT YOUR SERVICE”

Resort destinations excel at delivering memorable experiences. During your stay, you are the center of attention. In the spirit of hospitality, resort employees are constantly searching for ways

to make your stay special. Help them out. When making reservations or checking in, don't be shy about telling resort personnel you are celebrating a special occasion. You'll be helping them

find that special way to make your stay memorable. So let them help you relax, enjoy, and celebrate!

As you look at the following list, notice that although there may be some overlap and gray areas between the groups, six groupings emerge when the primary influences of seasonal weather patterns and the level of investment in commercial facilities are taken into consideration. We have chosen to label these groups using the following descriptive phrases:

- Far from the Maddening Crowd
- Links to the Past
- Seasonal Delights
- Spotlight on Sporting Activities
- Year-Round Playgrounds
- Bright Lights and City Sights

As we explore each of these destination groupings, see whether you can think of specific examples that would fit in each category.

Before we move on, consider the following two brief examples that show how Figure 10.1 can be used to place different types of destinations into strategic groupings. Winter snow holiday resorts (Spotlight on Sporting Activities) are obviously affected by seasonal changes that bring snow, and these locations also require significant commercial investments in ski lifts and snowmaking equipment as well as other mountain operations facilities such as restaurants, retail shops, and base-area accommodations. However, mega-cruise ships (Year-Round Playgrounds) are not significantly influenced by seasons, because they can be moved to take advantage of seasonal changes, yet they are very expensive to build and require significant capital investment. Now, let us take a more in-depth look at each of these strategic groups.

## Far from the Maddening Crowd

In the upper left-hand corner of Figure 10.1, you will see a group of destinations that are significantly affected by changes in seasonal weather patterns, yet have little in the way of commercial development when compared with other destinations. Traveling to destinations and taking advantage of seasonal weather patterns along with the solitude, beauty, and bounty of nature have a long history that can be traced back to the Romans, if not before.

You will find two types of destinations in this classification. One includes hunting and fishing lodges, and the other includes retreats and guest ranches. These destinations have limited levels of commercial development. Development is usually a lodge with guest rooms and common areas and a few other support buildings, built and operated to be open only during set time periods each year. For example, dude ranches in Arizona are open primarily in the winter and spring, whereas fishing lodges in Alaska and Canada serve visitors during the summer and fall. Or think about the other extreme—ice, snow, and frigid temperatures. “Imagine a hotel which is built from scratch each year, a new design, new suites, a brand new reception—in fact, everything in it is crisp and new. Well, there is such a hotel: the Ice Hotel, situated on the shores of the Torne River, in the old village of Jukkasjärvi in Swedish Lapland.”<sup>6</sup>

Destinations that are grouped in this category face many of the same challenges as those faced by seasonal attractions, which were discussed in Chapter 9. For example, managers must hire and train a staff in a very short time and then bring all systems into operation by opening day each season. Taking care of the basics such as ordering supplies, manicuring the grounds, and deep-cleaning guest rooms are routine operations that can be easily scheduled. However, other tasks can become more difficult because facilities are often located in out-of-the-way places where there is limited access to potential employees and other services. Just think about how difficult it might be to find on short notice a plumber or an electrician for a remote fishing lodge in Manitoba.

## Links to the Past

Dropping down the left-hand side of Figure 10.1, we see a collection of destinations that have been attracting travelers for hundreds, even thousands, of years. The primary designations of destinations in this category are religious and heritage sites.

These locations may or may not be affected by the seasons. Some are affected by religious holidays, such as the Vatican City at Easter. Others may be affected by season of the year. For example, the pyramids of Egypt experience a reduction in visitor traffic during the scorching summer months. By definition, there is little, if any, recent commercial development at these sites, because they have been classified as heritage locations. Some, such as the Petra archaeological site in Jordan, the Mnajdra prehistoric temples in Malta, or the Itum Monastery in Kathmandu, are rapidly succumbing to the ravages of time and the stresses of Mother Nature.<sup>7</sup>

Travelers have been embarking on journeys called **pilgrimages** to religious sites for centuries. Greeks and Romans traveled to worship their gods, and Jews still journey to Jerusalem, Muslims to Mecca, and Hindus to Varanasi. These well-known, as well as other lesser known, sites are so popular they attract hundreds of thousands of pilgrims each year. One popular pilgrimage site that draws almost half a million people a year is Santiago de Compostela in Spain. The focus of this pilgrimage is the central marble pillar of the Gloria Portico, where St. James is depicted welcoming the tired pilgrim. This pillar has been etched with deep finger marks where untold numbers have touched it over the years.<sup>8</sup>

The other destinations found in this grouping feature primarily heritage attractions. These sites are dedicated to preserving and passing on the natural or cultural heritage to future generations. Several sites worldwide—such as Angkor, Cambodia; Ruins of St. Paul, Macao; Machu Picchu, Peru; and Gettysburg, Pennsylvania—have been recognized for their unique heritage appeal to travelers. “Heritage tourism, or visiting an area’s historical sites, is the hottest trend in the travel industry today. Tourists, these days, want more out of travel than visiting a park or a mountain range. They want to experience unique places, traditions, and history and learn about their roots” (p. 8).<sup>9</sup>



*Pilgrims to Jerusalem continue to arrive even in times of political unrest. Photo by C. E. Yale*



## FYI HOME OF THE SHAOLIN KUNG FU

Shaolin Temple is located in the Shaolin Scenic Area in Mount Song, which is located in central China's Henan Province. With a history of 1,500 years, Shaolin Temple has long been a famous spiritual site for generations of

Chinese. The Temple has had a steady tourist flow with 1.5 million visitors annually since the 1990s, with the highest number of visitors recorded at 100,000 in a day. Shaolin Temple not only is regarded as the place for spiri-

tual activities, but also aims to preserve and promote cultural heritage as well as mental and physical well-being-related activities through Chinese medicine, retreats, and martial art practices.

As mentioned in Chapter 9, designations as World Heritage Sites (WHs) are bringing increasing attention to cultural preservation and the importance of tourism management practices. For example, WHs constitute one of the major driving forces in promoting international tourist arrivals to China. In addition, “cultural WHs are found to exhibit a stronger impact on tourist arrivals than natural heritage sites, indicating that the most influential travel resources in China are historical sites, cultural traditions, and colorful folk customs which are unique and hard for other countries to copy” (p. 836).<sup>10</sup>

## Seasonal Delights

Moving toward the middle of Figure 10.1, you will find destinations that are still affected to some degree by seasonal weather patterns but that also have a greater degree of commercial development. In this strategic grouping you will find mountain, seaside, and summer resorts that have served through time as traditional destinations for tourists seeking a place to play in the water or escape the heat of summer. In fact, “[t]he resort hotel in America was traditionally a summer operation which offered, besides a comfortable room and good food, a seaside or mountain location with scenic, historical, recreational, or therapeutic advantages” (p. 23).<sup>8</sup> Today, these resorts have been developed not only to take advantage of the best Mother Nature has to offer during the primary season of operation, but also to attract visitors during other seasons.

Mountain, seaside, and summer resorts may be found in different geographic locations, but they offer one thing in common—escape from summer's sweltering heat and a variety of warm-weather recreational activities. Depending on the location, hiking, swimming, boating, golf, tennis, and just lying in the sun or relaxing in the cool breezes head the wish list of seasonal activities visitors expect to find at these destinations during their primary operating season. Add other activities such as biking and horseback riding, and it is easy to see why vacationers are attracted to warm-weather paradises. As the following example shows, in addition to having a primary operating season, these destinations are expanding the number and types of activities and facilities to attract visitors during **secondary seasons**.

The Wisconsin Dells (the “Dells”) provides an excellent example of an area that began as a summer holiday refuge and developed into a major resort destination. Visitors still come in large numbers during the summer months to enjoy the natural beauty and warm-weather attractions that have been developed along this stretch of the Wisconsin River. However, they also come at other times of the year because of the commercial development that has taken place in the area.

Packed in a lush “North woods” geographic area of a bit more than 3 by 5 miles are examples of just about any type of attraction ever established to entertain tourists. More than 700 amusement parks, beaches, family entertainment centers, museums, lodgings, restaurants, and other attractions [from golfing and snow

## TOURISM IN ACTION

### MACKINAC ISLAND

Looking for a summer place to unwind, rest, relax, and recharge your batteries? To experience the hospitality and delights of a true summer resort destination, take a trip back in time to Mackinac Island. Take a look at the home page for Mackinac Island (<http://www.mackinac.com>), and begin preparing for a unique adventure on a picturesque island filled with natural beauty in a setting that brings history to life. This small island in Lake Michigan is a case study in sustainability, charm, and unforgettable memories.

[skiing to horseback riding and sleigh rides] in the area cater to a mix of visitors ranging from “day-trippers” with children to empty-nest couples spending busy weeks in local resort accommodations (p. 27).<sup>11</sup>

Over 3 million visitors a year come to this resort area that is located midway between Chicago and Minneapolis. The total area encompasses two towns, Wisconsin Dells and Lake Delton, which have a year-round population of about 3,500 people. During peak seasons, this population temporarily swells with nearly 6,000 housing units ranging from bed and breakfasts (B&Bs) to condos and luxury hotels plus campsites and recreational vehicle (RV) parks.

Through active support of the Dells Visitor and Convention Bureau, businesses in the area reap the benefits of a coordinated marketing campaign and a five-state employee recruiting effort. Marketing efforts range all the way from responding to requests for information (almost half a million per year) to creating major promotional campaigns. In addition to the recruiting campaign, joint customer-service seminars (area businesses employ about 6,000 seasonal workers) are conducted to prepare employees for the seasonal summer surge in visitors. This high level of cooperation continues to pay off, as can be seen by the astounding number of repeat visitors (78%). Increased marketing efforts have also attracted additional visitors during the secondary fall and winter seasons to enjoy the fall colors, hunting, and winter sporting activities.<sup>9</sup>

## Spotlight on Sporting Activities

In the upper right-hand corner of Figure 10.1 is a group of destinations that not only are affected by seasonal weather patterns but also are highly developed with specific recreational activities. Destinations in this grouping offer recreational activities, primarily participation sports, such as skiing, golf, and tennis.

Destinations that specialize by offering these activities share two things in common. First, they are affected by weather patterns that dictate primary operating seasons. For example, although golf can be played year-round in Arizona, winter and spring are much more attractive than summer, when temperatures soar to well over 100°F for most of the day. Second, these destinations are easily identified by their high levels of commercial development, such as ski lifts, snowmaking equipment, golf courses, tennis courts, and other supporting facilities.

### Snow Holiday Resorts

Wherever they are located, all snow holiday resorts need the same natural wonders (steep slopes and snow) to attract winter snow-sports enthusiasts. And, snow is the most important ingredient for these resorts, as research has shown that early season snowfall has a significant impact on lift ticket sales.<sup>12</sup> Snowmaking is also important for winter resorts as they seek to supplement low natural snowfall levels and extend the length of their seasons. However, research has shown that, as might be expected, low natural



**Table 10.1** Factors That Have an Impact on the Survival and Success of Snow Holiday Resorts

Capital intensive, yet produce extreme fluctuations in cash flow to pay for these necessary investments.
Labor intensive and seasonal, resulting in the need to both hire and lay off large groups of service employees.
Weather dependent, resulting in the need to invest in expensive snowmaking equipment and draw heavily on an area's water resources.
Sensitive to economic fluctuations, because they are relatively expensive, and thus they must attract consumers with adequate discretionary income.
Located in remote locations, which creates potential transportation problems for both guests and employees.

snow cover resulted in decreased visitation even with snowmaking. From a financial perspective, with the warmer conditions many lower-altitude resorts have been experiencing in recent years they may not receive enough income due to reduced visitation numbers to offset their snowmaking costs. While higher-altitude resorts may have a short-term gain in visitation based on the presence of more natural snow, their operations may also become uneconomical in the longer term.<sup>13</sup> In addition, all of these resorts have the same operational problems that accompany these snowy remote locations.

The continued problem of unpredictable weather patterns has required large investments in snowmaking and grooming equipment to start, maintain, and extend ski seasons. Snowmaking not only costs money but also raises environmental concerns. Snowmaking draws heavily on available water supplies during typically dry times of the year, and additional grooming requires an increase in exhaust-producing grooming vehicles to be placed on the mountainside. Furthermore, the demographic shifts resulting from an aging population are reducing the potential number of skiers. Efforts to expand existing ski areas are being met with tough opposition from environmental groups, resulting in extensive environmental impact assessments and challenges to the use of government lands for single-season recreational use.<sup>14</sup>

Managers at mountain snow holiday resorts, like managers at other seasonal operations, must cope with seasonal changes to survive and succeed. Table 10.1 provides some examples of challenges faced in these types of seasonal destinations. Think about seasonal resorts with which you are familiar. Do they face the same, similar, or different problems?

Snow holiday resorts were originally developed to serve the snowsports public. Subsequently, they have expanded facilities to appeal to cross-country skiers, snowboarders, tobogganers, tubers, and ice skaters. However, to smooth cash flows, appeal to a broader market, and position themselves as year-round destinations, many traditional warm-weather activities such as golf and tennis have been added to their product offerings to appeal to a broader variety of market segments. The increasing popularity of mountain biking has also improved revenue potential. By offering bikers a “lift” up the mountain and providing trails for the way down, many traditional snow holiday resorts have substantially boosted the number of summer visitors.

## Golf Resorts

No one is really sure where the game of golf began, but it has been a popular recreational sporting activity throughout the world for years. The origins of the game may have come from the Romans, but St. Andrew's Golf Club in Scotland, which was first used in the 16th century, is the oldest golf course in the world. The first permanent golf club did not appear in North America until 1873, when the Royal Montreal Club was founded in Canada.

Golf has continued to grow in popularity throughout the world. It is estimated as the leading sport in the world in expenditure with more than 60 million active participants.<sup>15</sup> In the United States alone, there are over 40 million current or potential golfers.<sup>16</sup> With all of these golfers, it should be no surprise that golf is an especially attractive destination amenity, and the development of new golf courses is not keeping up with



*Golf resorts combine solitude with luxury.* Photo by Shaen Adey © Dorling Kindersley

demand. In fact, at the current growth rate of participation, it has been estimated that a minimum of 100 new golf courses must be built each year in the United States to keep up with growing demand.<sup>17</sup> On a national level, both France and Thailand are using affordable and accessible golfing destinations as key marketing year-round draws.<sup>18,19</sup>

The only significant sports activity that meeting planners say influences their decisions in selecting a resort destination is golf. Why do that meeting planners and others look to golf when making travel plans? Golf is both a recreational activity and a social event. The majority of the time spent golfing is more than just for sport. It is also a social activity and an opportunity to enjoy the natural surroundings. The manicured landscaping and natural settings provide the perfect environment for socializing and relationship building.

A good golf course does more than present a pretty picture. It is designed and operated with the players and employees in mind for enjoyable play and ease in maintenance. The usual layout is in loops, so that the finishing hole is near the beginning one. A golf course at a resort location must be designed with the average player in mind but still be challenging enough to be interesting. It may be pretty to look at, but if it is too difficult to play, guests will become frustrated and not return.<sup>20</sup>

Building even a basic golf course is a major financial undertaking, while building a golf course as part of a world-class resort requires even more land and facilities and an even bigger financial commitment. For player comfort, a traditional golf course requires somewhere between 150 and 200 acres of gently sloping land. If the right type of land is available, the design and construction of a golf course will require a financial commitment of several millions of dollars to include:

- Parking space for cars;
- A pro shop;
- Restrooms;
- A driving range and practice putting green;
- Golf cart storage;
- Basic food and beverage facilities;

- Grounds keeping and maintenance facilities; and
- Tees, fairways, hazards, greens, and extra space and buffers for safe play.

In addition to land use and player design considerations, there are also environmental issues that must be considered. Golf courses may require using 25,000 gallons of water a day in wet climates, but they may require up to 1,000,000 of gallons of water a day in very dry climates. Maintaining a lush appearance also requires constant mowing, and the application of large quantities of fertilizer, herbicides, and pesticides.<sup>21</sup>

The greens fees generated by golf courses are an important resort revenue center. In addition, supporting services and facilities such as lessons, driving ranges, cart rentals, restaurants, and retail shops generate additional cash flows that enhance the financial attractiveness of golf course operations and increase revenue per round. However, golf resorts are more than just golf courses and related services. They must also cater to other guests and golfers when they are not on the links. These needs are being met with the addition of tennis, swimming, fitness centers, meeting rooms, shopping, dining, and more.

## Year-Round Playgrounds

Located in the middle right-hand side of Figure 10.1, you will find a group of destinations that are highly developed commercially and only slightly affected by changes in seasonal weather patterns. What visitors experience at these types of destinations is a complex blend of facilities and services that you can see listed in Table 10.2. They may be spread across hundreds of acres or confined to the dimensions of a cruise ship. From a management viewpoint, each of these components should be planned with ease of maintenance and guest service, safety, security, and satisfaction in mind. We will explore each of the destinations in this group, but we will focus the majority of our attention on cruise ships.

### Spas

Technically, the word *spa* means “mineral spring,” but the use of this term has been expanded in recent years to describe a place where people go to rejuvenate bodies and minds. “Spas are entities denoted to enhancing overall well-being through a variety of professional services that encourage the renewal of mind, body, and spirit.”<sup>22</sup> Guests can choose to visit either a spa that is part of a complete resort package or a [spa resort](#), which is designed for the total spa experience (e.g., The Oaks at Ojai, California, or Lake Austin Spa Resort, Texas). Although they may differ in their operating focus, the same basic ingredients will be found in either spa type: healthy food, exercise classes, baths, massages, herbal treatments, and educational training programs. Guests are surrounded by a serene, possibly luxurious environment, and focus on healthier living. As people face more pressure and have less free time in their life, the need for services that offer greater relaxation in a shorter time period arises. The lifestyle focus of spas is in higher demand today due to the benefits of relaxation and pampering. Guests may choose to visit spa resorts to experience the spa itself, or they may choose to enjoy the services and other recreational and social activities offered at the resort.

**Table 10.2** Components of Resort Developments

Accommodations	Conference and meeting facilities
Restaurants and lounges	Parking and/or transportation services
Entertainment facilities	Storage and maintenance facilities
Retail shopping facilities	Public information/administrative facilities
Access to, or, on-property golf and tennis facilities	Pools and spas

The facilities and services provided through spas are now an important addition to the entertainment, shopping, and recreational activities found at many resorts. Spas have proven to be popular with tourists and provide a competitive advantage for hotels and resorts as demonstrated in a study by the Canadian Tourism Commission and ISPA (International Spa Association) where they found that, “one-fourth of all adults have been to a spa, most of those patrons visiting day spas (52%) and 28% traveling to destination or resort spas” (p. 112).<sup>23</sup>

Through effective marketing programs and efficient management practices, spas can be an attractive revenue generator or profit center for resort properties. Spas are opportunities to generate more room night demand, increase revenues and profits, increase property value, and enhance guest experience. Treatments such as massages, body wraps, and facials are the largest sources of revenue for hotel spas. Also contributing are gains in revenue generated from local membership fees, fitness lessons and personal training, and the sale of merchandise and clothing. Marketing efforts may be focused on the individual *à la carte* user or packaged as an incentive along with other resort activities. Just as you learned in Chapter 8 that food and beverages can be used as a marketing tool in resort properties, so, too, can spa services. Building and equipping the spa with customer satisfaction in mind is a must, but it takes more. A staff well trained to pamper guests ensures that the goal of total customer satisfaction will be achieved (see Table 10.3).

## Cruise Ships

Cruising is booming as record numbers of vacationers select cruise vacations. And why not? Cruising is fun! Cruises of all durations have been experiencing growth, with the largest increase recorded in the 2- to 5-day category.<sup>24</sup> Very long cruises, 21 or more

**Table 10.3** Primary Staffing Areas of a Spa

Areas	Sample Job Titles
Managers	General Managers Department Managers (e.g., Hair Department Manager, Nail Department Manager) Assistant Managers (e.g., Housekeeping Assistant Manager, Massage Assistant Manager)
Service Providers	Estheticians may perform skin cleansing, exfoliation, hair removal, facial, and body treatments Cosmetologists may work with scalp and hair, including haircuts, styling, braiding, chemical services, and therapeutic treatments. They may also provide temporary hair-removal and make-up services Nail technicians offer nail services and hand and foot treatments, including basic massages Massage therapists focus on the body, mind, and spirit. Massage involves manipulating soft tissues by using pressure, tension, motion, or vibration Spa assistants/attendants prepare guests for treatments. Their tasks may include shampooing the guest, assisting in product preparation, and setting up the equipment Medical professionals, including dermatologists, dentists, and chiropractors, are often staffed in spas to provide alternative or conventional medical practices Fitness personnel includes personal trainers, fitness instructors, nutrition consultants, and special topic instructors
Support Staff	Receptionists, hosts, front desk agents Housekeepers, locker room attendants, laundry attendants Appointment and billing specialists Chefs, servers, and stewards

*Source:* Based on data from *Spa Management: An Introduction*, by Wisnom and Capozio, Pearson Education, pp. 95–100, copyright © 2012.

days in length, are also proving to be very popular. However, seven day itineraries still remain the most in demand. The Caribbean continues to be the favorite cruising destination, and the Mediterranean and other European routes are the second most purchased cruising itineraries. Alaska and the coast of Mexico also remain popular with cruise passengers. River cruising has gained momentum, especially in Europe, Asia, and the United States and cruise lines are adding ships at a rapid pace to keep up with growing demand.

Cruise passengers sail on either one-way or round-trip itineraries. On a one-way itinerary they will begin and end their journey to and from different ports. One-way itineraries are very common on river cruises and Alaskan routes. For example, passengers begin their journey by flying to Paris where they transfer to a motorcoach traveling to Trier, board a river barge and cruise the Moselle, Rhine, and Main Rivers to Nuremberg then transfer to another motorcoach finishing their journey in Prague. Alaskan cruise passengers begin their inside passage journey by boarding their cruise at ports in either Vancouver, B. C., or Seward, Alaska. Seward is just a short train or bus ride away from Anchorage. On a round-trip itinerary, passengers begin and end their journey from the same port.

Expanded fleets of ships combined with new amenities and effective marketing efforts have helped to reposition the cruise experience in consumers' minds as destination resorts rather than as transportation. Growth in the number of cruises has led to other changes as cruise line operators continue their efforts to improve service and expand their marketing reach.

The number of ports and the quality of facilities where passengers may **embark** and **disembark** have grown and improved. Cruise-line companies have also expanded the number of available cruising options and targeted specific market segments. Because of the flexibility provided in cruise-line operations, each cruise can be designed to meet the tastes and needs of a specific cruising audience, with focused activities such as fitness, big band or rock music, and mystery parties.

Cruise ships come in a variety of types and offer different experiences. Cruising was originally available on classic ocean liners, such as the *Queen Mary* and the *Queen Elizabeth* (1 and 2). But most cruising now takes place on vessels that fit one of the following categories:<sup>25</sup>

1. **Megaships** Most of the ships are extremely large, weighing up to 250,000 **gross registered tons (GRT)**, carrying up to 7,000 passengers or more, and having 12 or more **decks**. These ships are virtually floating resorts, usually offering an array of entertainment and dining options onboard.
2. **Midsized ships** Luxury ships, older cruise ships, and ships that primarily sail select regions, for example, Europe and the Mediterranean, accommodate 950 to 2,000 passengers. These ships offer amenities but on a smaller scale than those featured on the megaships.
3. **Small ships** Carrying fewer than 950 passengers, these ships offer a more intimate, less frenzied cruise experience. Most are used for niche markets, such as education-based, ultraluxury, or adventure cruises.
4. **Sailing ships** Serving a distinct market segment, masted ships provide passengers with the opportunity to cruise in the original style—using wind power! Frequently, passengers act as part of the crew and aid in the sailing of the vessel.
5. **Riverboats and barges** An additional style of nostalgia cruising is provided by the riverboat. In the United States, riverboats designed to look like Mark Twain paddle wheelers ply the Mississippi, the Missouri, and the Columbia rivers. In Europe, modern riverboats, built low to the water to glide under bridges, travel on rivers such as the Danube and the Rhine.
6. **Multipurpose ships** Some ships, like those that transit the Scandinavian fjords, carry leisure travelers along with cargo and/or local commuters.



7. **Superyachts** These large luxury yachts, also called megayachts, are usually over 24 meters in length and can reach up to 110 meters. Typical occupancy onboard is approximately 200 passengers, and all cabins are classically well-appointed suites or estate rooms.

A ship's size will impact the **space ratio** or how much space is allocated to each passenger. You can find the space ratio by dividing the GRT of a ship by the number of passengers it can accommodate. The greater the space ratio, the roomier and less crowded the ship will feel. Space ratios of 25 to 40 are fairly common on today's ships.<sup>26</sup>

The variety of jobs onboard cruise ships is even greater than the types of ships. Obviously, ships require a crew to guide them efficiently and safely through their itineraries. In addition, cruise ships carry a large staff, over 2,000 for some megaships, in charge of resort operations. Included among these employees are the hotel manager, **purser**, shore excursion manager and staff, entertainers, **cruise director** and cruise staff, housekeeping staff, executive chef, chief steward and kitchen staff, *maitre d'* and dining room staff, and food and beverage manager and beverage staff. Onboard cruising operations are supported by large land-based marketing, management, and finance staff, which means that employment opportunities abound. Securing a position on a cruise ship can be difficult and these positions are not suited for everyone.

Most ships are registered in developing countries with limited or no labor law protections. Therefore, most of the crew members also come from developing countries. Some positions such as cruise director, purser, spa, casino, and medical staff come from English speaking countries. However, before you decide to work on a cruise ship think about working long hours, even split shifts, living in cramped quarters below the passenger decks, and being on duty seven days a week for months at a time. You might want to “test the waters” by working in a land-based position, especially in a seasonal setting such as Alaska where the cruise lines own and operate lodging, transportation,



*Because of their mobility, cruise ships are floating, year-round resorts.* Photo by Cathy Hsu

**FIGURE 10.2**

Map of cruise ship itinerary for MS *Maasdam*.  
 Source: Reprinted from Holland America Cruise Lines.



and activities. But, with 44 new ships scheduled to be put in service between 2016 and 2022, continuing passenger growth and employment opportunities look promising.<sup>27</sup>

Cruise ships have an operational advantage over destinations that are anchored to a specific geographic location and must suffer through changing weather patterns. Sailing itineraries can be changed through repositioning cruises to take advantage of the best seasonal patterns and passenger demand anywhere in the world. In addition, “Cruise ships are an operator’s dream. They run at 95% of capacity or higher, when hotels are pressed to manage 70%. And cruise passengers, unlike hotel guests, cannot wander off to eat their dinner elsewhere” (p. 14).<sup>28</sup>

With the flexibility to meet vacationer and meeting-goer needs, cruise lines are now targeting many of the same people and groups who previously stayed in traditional destination resorts. The primary geographic markets for U.S. cruise-line passengers are California, Florida, New York, Illinois, Pennsylvania, and Texas; and the primary ports for cruise ships serving U.S. and Canadian markets are located in Miami, New York, Port Everglades, Los Angeles, San Francisco, Seattle, and Vancouver. Most cruise ships sailing from these ports go southward to Mexico, the Caribbean, and the Panama Canal, or northward to Alaska. Figure 10.2 shows a typical cruise ship itinerary.

“From a marketing perspective, getting consumers to take their first cruise is the key for the market to continue to grow and expand” (p. 343).<sup>29</sup> Today, cruise-line passengers come from a wide range of income levels and ages. However, the fastest growth in cruisers is in the 25- to 40-year-old and family segments, which has caused the median age of cruisers to drop from 58 to 43. “At long last, cruises are being perceived as a ‘hip’ vacation alternative, one that appeals to a group of vacationers whose diversity is matched only by the cruise industry’s diversity. We have 150 vessels visiting nearly 2,000 ports, and itineraries ranging in length from three days to three months—the possibilities are endless.”<sup>30</sup> These new and expanding groups of cruisers are not only selecting cruise ships based on sailing itineraries, activities, and length of time at sea, but they are also changing the way in which they incorporate cruise ships into their travel plans. Today, the usual pattern involves a fly-cruise package.

These efforts are proving successful, as cruise lines can offer many of the same features as, if not more than, a traditional resort (see Figure 10.3) at an **inclusive price**. Even the amount of tips for onboard service personnel is clearly communicated to all guests in information brochures. In fact, there are activities galore. Everything from rock climbing and golf lessons to ice skating and dancing:

When viewing Figure 10.3, think about the three main areas of a ship: the support or crew space, the cabins or **staterooms**, and the public space. The support and crew spaces will be found in very different locations on the ship. The crew spaces will be located on the lowest levels of the ship and will include crew cabins (much smaller than passenger staterooms), dining, and recreation facilities. Other support spaces

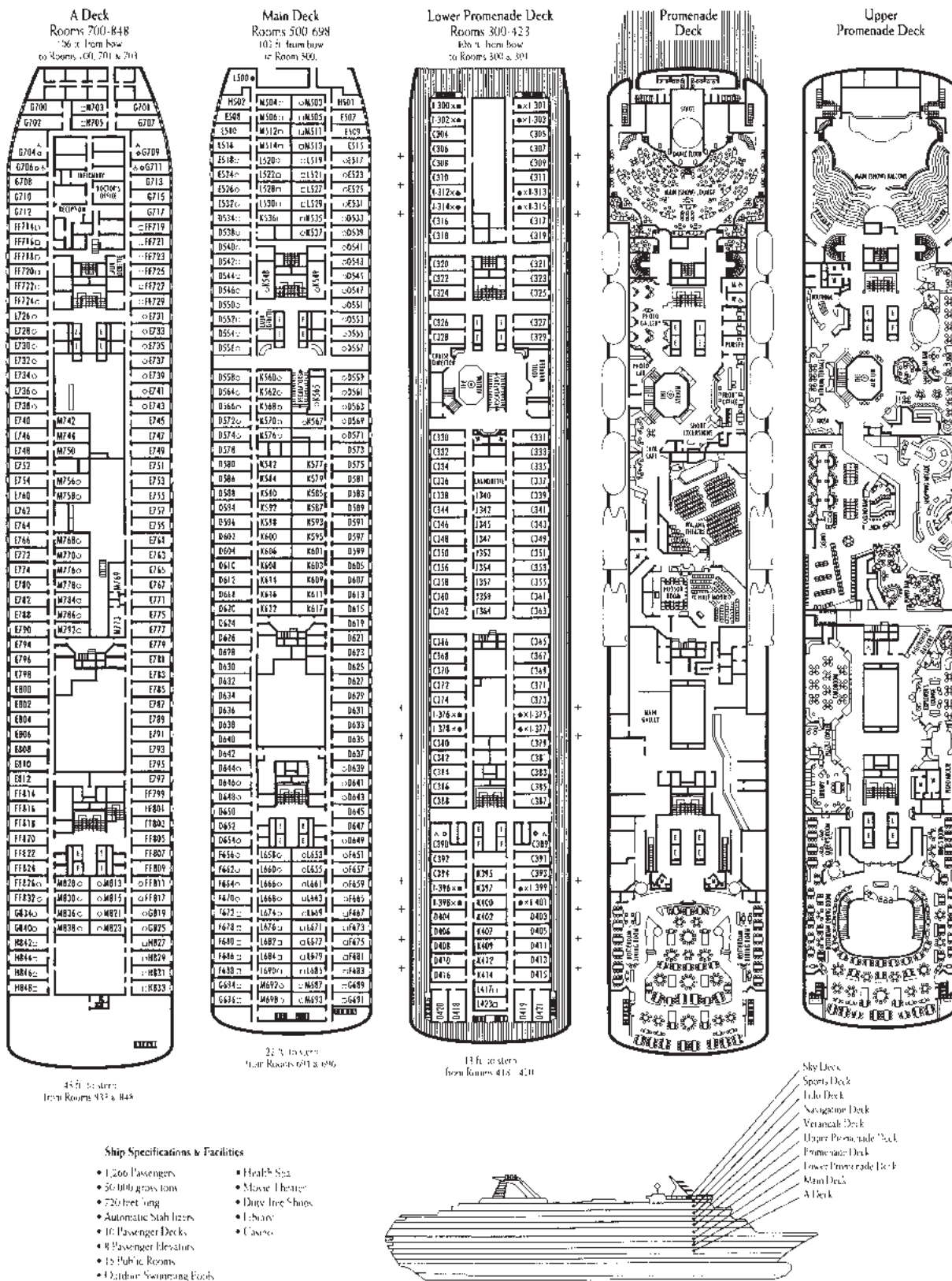


FIGURE 10.3

Exploring Holland America's MS *Maasdam*. Source: Reprinted from Holland America Cruise Lines.





include the bridge, engine room, the **galley**, and storerooms. As a cruise passenger, you may be able to visit the bridge and the galley on special days, but you will not be able to view the engine room or crew quarters for safety and privacy reasons.

Moving up the ship from the crew quarters you will find the passenger staterooms. In every stateroom, you will find varying configurations of **berths** (beds). Staterooms are configured with single beds that can be moved together and converted in to queen-sized beds. Single beds are used to provide the opportunity for maximum passenger occupancy. With that in mind, many staterooms will also have two upper berths that can be folded into the wall during the day creating room for four passengers in a cabin.

Public areas will be found on the upper levels. Exploring the ship, passengers can find a variety of spaces dedicated to their enjoyment including on megaships and many midsized ships:

- The reception area and front office
- Information and excursion desks
- Dining rooms, specialty restaurants, and pubs
- Shopping
- Health clubs and spa
- Casino
- Movie theater
- Showrooms and lounges
- Photo and art auction galleries
- Pools and activity areas
- Library and card rooms
- Internet center
- Medical facilities

And, this may just be the start as increasing ship sizes and creativity have given rise to driving ranges, wave pools, skating rinks, and more. Although cruising itineraries can be commonly found in 2-, 3-, 4-, 7-, and 14-day (or more) lengths, short cruises are proving to be the most popular and fastest-growing segment of this industry group. As was the case with Richard and Connie in our chapter opener, first-time cruisers are especially attracted to shorter cruises to test the waters and sample the cruising experience before committing to a longer itinerary. In addition, there are other factors contributing to the popularity of shorter cruises. Families and two-income households are finding short cruises to be attractive as they try to coordinate busy and often conflicting schedules that interfere with attempts to take extended vacations. Workers in pressure-filled jobs are seeking shorter and more frequent stress-relieving breaks to rest, relax, and recharge.<sup>31</sup>

Whether it is the inclusive pricing policies, one class of service (everyone receives the same service no matter how much he or she paid for the cabin), close attention to service details, or convenient itineraries, people seem not only to enjoy but also to praise their cruising experiences. Based on a cruise ship passenger satisfaction survey, 78.6% of passengers found the trip “enjoyable” and 19.3% found the trip “most enjoyable.”<sup>32</sup> Cruises are able to achieve these high levels of satisfaction because they can deliver high-quality service in addition to effectively combining two important characteristics of a good trip. First, passengers see and experience new activities, sights, and cultures through onboard activities and different ports of call. Second, passengers enjoy these experiences with a feeling of safety, security, and comfort in familiar surroundings, established schedules, and attentive service.

Once onboard a cruise ship, everyone, no matter how much the passenger paid for the cruise or where his or her cabin is located, has arrived at his or her destination



and is treated the same. One class of service and variable pricing levels mean the cruise lines depend on high occupancy levels. Cruise prices are based on the style and location of the stateroom or cabin. Prices will be higher for outside cabins and those cabins located on upper level decks as well as for larger staterooms and those with balconies. Prices may also vary depending on when the cruise is booked, with lower rates being offered well in advance of the cruise date and just before the ship is set to sail.

Cruise lines depend on generating additional high-margin revenues to achieve profitability. Some of these profit centers include spas, beauty salons, gaming, alcoholic beverage service, shopping, photo galleries, and shore excursions, plus pre- and postcruise packages. Other activities such as excursions to company-owned islands help to control the destination concept of the cruise and generate additional revenues.<sup>33</sup> None of these goods and services is included in the all-inclusive pricing structure and they all add up, increasing revenue per cabin and contributing around 20% of each ship's revenue.<sup>34</sup>

Trends in cruise-line operations include the building of new ships of all sizes from yacht-like vessels to superliners, new programs and itineraries, and new onboard facilities. Yet, even with all of this growth, it is still estimated that less than 10% of the adult population in the United States has cruised, leaving plenty of room for growth. However, the largest potential for cruise-line growth can be found in China which is expected to triple in the number of passengers by 2020. Cruise-line companies are purchasing or leasing private islands for the exclusive use of their passengers, and the addition of free-style dining options will entice even more cruisers onboard. In addition, new cruise itineraries will bring back seasoned cruisers. Consider this developing route. "The Great Lakes have all the ingredients needed for successful cruising: magnificent scenery, waterfront cities with well developed tourism facilities, and a rich mix of cultural and historical institutions" (p. 13).<sup>35</sup>

## Casino Resorts

Casino resorts constitute a large and growing segment of the tourism industry. Travelers who participate in gaming activities are demanding more when they visit these resort destinations. They are no longer satisfied with finding gaming and lodging at their destination; they want a total entertainment experience. And their demands have been met, first with a wide array of dining and entertainment alternatives and then with a menu of activities that range all the way from golf to theme and water parks.

As you learned in Chapter 9, gaming locations continue to spread across the United States, Canada, and the world. What visitors will find at any one location is limited only by the imaginations and financial resources of the developers. Casino resorts located in Nevada provide some excellent examples of the diversity that can be found in successful casino resorts that have broadened their appeal to attract the family market.

At [megaresort](#) theme park/casinos such as Wynn and Encore, Bellagio, Mandalay Bay, the Cosmopolitan, and the Venetian located in Las Vegas (an urban tourism destination

## FYI WHAT IS NOT INCLUDED IN CRUISE PRICES?

- Transportation between the passenger's home and port of embarkation, although it is included in some package prices.
- Port taxes and personal expenditures, including medical expenses, casino play, some sports activities, use of special services such as beauty salons and spas, beverages (soft drinks and alcoholic beverages), specialty restaurants, Internet access, and shore excursions.
- Tips (gratuities). The amounts will vary. On some ships there is "no tipping" (tips are built into the package price). On others, the tips are automatically added for services. Still other ships may post guidelines in cruise-line brochures and have them explained by cruise directors. As a matter of professional respect, it is important to remember to tip only **hotel personnel**, never **ship personnel**.

*Note:* Purchases for goods and services not included in the cruise price can be charged while onboard and then settled with the purser at the end of the cruise by using a credit or debit card.

**Table 10.4** What Will You Find at the Atlantis Resort?

Location: Paradise Island, Bahamas
Accommodations: 2,300 rooms
Food and beverage facilities: 38 restaurants and lounges
Recreation: Golf course, sports center, spa, Caribbean's largest casino, snorkeling lagoon, tennis courts, retail shopping complex, marina, Discovery Channel camp, plus 11 million gallons of water activities including 34-acre Atlantis waterscape, the largest tropical marine habitat
Meeting facilities: 86,000 square feet, including 3 ballrooms

*Source:* Atlantis Resort.

itself), complete leisure and entertainment facilities have been created to appeal to our fantasies and provide a little something for everyone. At other, more out-of-the-way desert locations, such as Players Island in Mesquite, Nevada (which is on the Utah border), visitors are tempted with spas, golf, tennis, dining, entertainment, gaming, and more to fill their days and nights. Or high in the Sierra Nevada Mountains, visitors can combine water sports, golf, and tennis in the summer or skiing in the winter with gaming, dining, and entertainment. Other locations, as diverse as Foxwoods in Connecticut, Resorts World Sentosa in Singapore, or The Wyndham Nassau Resort and Crystal Palace Casino in the Bahamas, provide all the excitement and amenities found at the Las Vegas megaresorts.

## Integrated Resorts

Integrated resorts (also called “four-season resorts”) are similar to other tourism destinations we have been studying. They provide many of the same facilities, activities, and entertainment opportunities that you would expect to find at any resort location. However, they are different from other destinations because they are located in settings where they can offer guests the same menu of leisure-time activities on a year-round basis. For example, see Table 10.4 for all the Atlantis Resort in the Bahamas has to offer. Even less temperate destinations, such as Baden-Baden in Germany, or arid destinations, such as Dubailand, have developed an array of offerings to meet seasonal demands while serving a variety of tourist segments.

However, even year-round resorts experience operational problems that result from fluctuations and spikes in demand. Integrated resorts are designed to serve a demanding group of vacationers each of whom has his or her own ideas about the meaning of rest and relaxation. Whereas one guest may describe the perfect four-season resort destination as a “haven for peace and quiet, calm, rest, and relaxation,” another guest might describe it as a “giant country club with rooms,” so integrated resorts must create settings that meet a diversity of needs.

Travelers are now comparing the services and amenities they receive on cruise ships with what they receive at integrated resorts. Both types of destinations are designed to be self-contained vacation retreats. As you learned in the section on cruise lines, most services on a cruise are provided at an inclusive price. Integrated resorts are responding to this benchmark in hassle-free experiences by instituting strategies such as marketing themselves as nontipping properties and offering inclusive pricing for the use of spa facilities, golf, and other activities. Club Med is one of the pioneers in all-inclusive resort operations.

## Bright Lights and City Sights

The final destination grouping we will discuss is located in the lower right-hand corner of Figure 10.1. This group is composed of urban areas that have developed into unique tourist destinations. “Major urban areas perform important functions within

the workings of the overall tourism system: for example, they are key “gateways” for both international and domestic tourists and, as key nodes in the air transport system, act as staging posts for multi-destination trips” (pp. 1032–1033).<sup>36</sup>

Most cities will attempt to attract tourists because of the economic benefits these travelers bring to the local economy. However, travelers do not consider all cities to be tourist destinations. What is it that sets some large urban areas apart from others and makes them stand out as special tourist destinations? It is a strong desire on the part of city planners, civic leaders, and businesses to attract and serve the needs of visitors.

Using a research technique that is popular among marketers, the Canadian Tourism Commission, through the help of **focus groups**, has identified what tourists consider to be some of the key attributes of a destination city:

For some people it was a feeling, a flavor, or an image, that made the city a beloved destination. For others it was something more concrete: an ocean or a waterfront setting, beautiful architecture, great food, a sense of history, or friendly people that give a city its appeal. . . . For many people it's the range of interesting things to see and do that makes a city a great destination (p. 8).<sup>37</sup>

What we can learn from this research is that tourist destination cities have their own unique character. Tourists are attracted to these locations because they are special places to visit and enjoy, and they offer a wide variety of accommodations, attractions, entertainment, restaurants, lounges, and other activities and amenities that tourists desire. Many cities are tapping the benefits of potential increased tourism traffic by building major league sports stadiums or large convention centers. The local and visitor traffic they generate helps bring restaurants, theaters, and excitement back to city centers.

## Building on Success

As the opportunities for leisure travel for workers in industrialized countries grow and the number of mature travelers continues to increase, travel to resorts and other destinations will continue to grow in popularity. To remain competitive and attract more guests, these destinations may need to focus on attracting more than one market segment as well as increasing or improving their service offerings. To meet these needs, indoor resorts, such as Ocean Dome in Seagaia, Japan, create an endless summer environment, whereas Ski Dubai creates a variety of ski terrains in the midst of an arid desert climate.<sup>38</sup>

Through market segmentation, resorts are meeting this challenge by developing packages that appeal to a variety of specific guest segments. At the same time, destination resorts are focusing efforts on specific segments such as group tour business, incentive travel, meetings, and conferences. Many resorts are also breaking these focused markets into smaller segments. For example, a property might focus first on attracting association meeting business in general and then target members of one association such as the American Association for Retired Persons. These efforts are generating more year-round business and leveling out the traditional seasonal fluctuations in cash flows.

The complex task of developing, marketing, and managing tourist destinations goes well beyond the physical location itself. Other concerns, such as employee housing and labor availability, capital investment requirements, recreational and attraction development, infrastructure requirements, social and cultural effects, environmental impacts, land use, tax receipts, and other public benefits and problems, must be considered by private developers, citizens, and government officials. Tourist destinations thrive on positive relationships between residents and visitors, and these relationships must be encouraged and sustained for future success. We will be exploring these issues in greater depth in future chapters.

## Summary

Bringing together all of the components provided by tourism suppliers into one location creates the potential for a tourist destination. Destinations are the final stopping points of trips where tourists seek to “escape” their daily routines and enjoy rest, relaxation, recreation, and entertainment. These destinations can be found anywhere in the world and range all the way from quiet and secluded guest retreats to those floating resorts we call cruise ships. No matter where they are located or how attractive the destinations might be, tourists will not come unless the facilities and activities they desire are provided.

Spas were the original destination “resorts” built by the Romans, but the types of destinations from which travelers can choose today are numerous. Although each destination has its own unique appeal to tourists, destinations often share many similarities based on seasonal demand and the level of commercial development needed to meet guests’ needs. These shared similarities allow us to classify destinations into the following strategic groups: Far from the Maddening Crowd, Links to the Past, Seasonal Delights, Spotlight on Sporting

Activities, Year-Round Playgrounds, and Bright Lights and City Sights.

Destinations that are grouped in each of these categories face similar marketing, management, and financial opportunities and challenges. Some destinations face dramatic seasonal shifts in demand, but others experience more consistent demand throughout the year. Shifting patterns in demand can affect a variety of decisions, including marketing plans, staffing patterns, cash flow projections, and capital expenditure plans. Steps are therefore being taken at most tourist destinations to attract additional visitors during less popular time periods.

Tourist destinations continue to grow in popularity and so do the choices travelers face when selecting their perfect destination. It can be a fishing lodge, a snow holiday resort, a seaside resort, a golf resort, a spa resort, a cruise ship, an urban tourist mecca, or (you fill in the blank). As the choices grow and the opportunities for leisure travel increase, tourist destinations must focus on meeting a variety of guest needs while continuing to improve service offerings for future success.

## You Decide

Cruises are one of the best buys in vacationing today. Prices have remained fairly constant, and the amenities onboard have improved year after year. And the service is second to none. Passengers are pampered by employees at every turn: by the pool, in the many dining rooms, in the casino, and in their cabins, with a steward on call 24 hours a day.

How can cruise ships afford to provide so much personal attention and service? One way is by controlling labor costs. Nonprofessional cruise employees work 70 hours a week for an average starting pay of \$2,000 a month. The vast majority of their earnings come from tips, which can add from \$1,000 to \$2,500 per month to their income. Cruise workers not only work long hours but are also generally at sea on five- to eight-month contracts, receiving two days off per month. They do spend six weeks onshore between contracts. Employees, of course, receive room and board, medical care, and airfare to and from home between contracts in addition to their pay and tips; and benefits are generous by international standards.

Most cruise-line employees come from Third World or former Soviet-bloc nations. Although many are college educated, they are unable to find well-paying employment in their home countries. Cruise-line personnel agencies are virtually flooded with applicants from around the globe, from Honduras to Romania. The demand for cruise ship jobs is high because wages in most nonindustrialized countries are so low.

Cruise lines can decide how much to pay employees because they are not subject to the employment regulations of industrialized countries such as minimum wages, maximum working hours, and overtime pay. They are able to avoid these regulations by registering their ships abroad in countries such as Panama and Liberia. Should cruise lines be pressured to comply with employment laws in developed countries?

*Sources:* Based on Allerton, H E. (2003). Crewse. T + D, 57(4), 87–88; Keedle, J. (2008). Wish. you were here. *Career World*, 36(5), 21–23.

## Net Tour

To get you started on exploring Internet links for this chapter, please see

[www.scantours.com/ice\\_hotel.htm](http://www.scantours.com/ice_hotel.htm)  
[www.wisdells.com](http://www.wisdells.com)  
[www.cruising.org](http://www.cruising.org)  
[www.atlantis.com](http://www.atlantis.com)

[www.dubailand.ae](http://www.dubailand.ae)  
[www.experienceispa.com](http://www.experienceispa.com)  
[www.cmaa.org/](http://www.cmaa.org/)  
[www.clubmed.com](http://www.clubmed.com)  
[www.rwsentosa.com/](http://www.rwsentosa.com/)  
[www.shaolin.org.cn/en/index.aspx](http://www.shaolin.org.cn/en/index.aspx)

## Discussion Questions

1. Describe the various tourism supply components that must be brought together to create a successful tourist destination.
2. What are the major classifications of tourist destinations and the similarities and differences among these classifications?
3. Why are tourist destinations attempting to attract more visitors outside of their prime seasons?
4. Describe the factors that have an impact on the survival and success of a seasonal tourist destination such as a winter snow holiday resort.
5. Why are cruise ships called “floating resorts”?
6. What is it that sets some large urban areas apart from others and makes them stand out as special tourist destinations?

## Applying the Concepts

1. Select one type of tourist destination that is particularly interesting to you and learn more about it. Either schedule an interview with an employee or representative of the destination, or search for articles in the library and/or online about that type of destination. Based on the information you obtain, write a short report discussing important facts you learn from your interview or research.
2. Select an article from a travel magazine or the travel section of the newspaper describing two different cruise ships and itineraries. Make copies of the articles to include with your report describing the similarities and differences between the two vacation options.
3. Browse the Internet for resort information in a location that you may want to visit someday (use search terms such as “Manitoba and resorts” or “Florida and resorts”). Prepare a list showing the type of information that is available for the area along with specific information on one property at the destination.
4. Can your hometown be classified as a tourist destination? Using the information from this chapter as a guideline, prepare a list of all of the attractions and activities that would appeal to visitors. Once you have collected the information, prepare a one-page flier that highlights the best of what your hometown offers tourists.
5. Of the different types of destinations, which would be the most suitable for your family as a vacation spot? Why? Plan a one week itinerary to a specific destination with a list of activities for each member of your family, including both alone time and family time.

## Glossary

**Berths** Beds on a ship.

**Cruise director** The person who plans and operates passenger entertainment and activities onboard a cruise ship.

**Deck** The equivalent on a ship to a floor or story of a hotel.

**Destination resorts** Properties that are relatively self-contained and provide a wide range of recreational and other leisure-time activities.

**Disembark** To go ashore from a ship.

**Embark** To go onboard a ship.

**Focus group** An in-depth interview about a topic among 8 to 12 people, with a researcher (called a “moderator”) leading the discussion.

**Galley** The kitchen or food preparation area of a ship.

**Gross registered tons (GRT)** A measure of the interior size of a ship determined by volume of public space.

**Hotel personnel** All individuals responsible for the care and service of cruise ship passengers.

**Inclusive price** A single price for a package of services such as accommodations, food, and activities.

**Megaresort** A destination resort containing multiple facilities and world-class attractions and entertainment venues. Each revenue center at these destinations could operate as a separate business venture.

**Pilgrimage** Travel to a holy place or shrine.

**Purser** A ship official responsible for papers, accounts, and the comfort and welfare of passengers.

**Resort destinations** Communities or areas that contain attractions, entertainment, and supporting facilities needed to draw and host tourists.

**Resorts** Destination locations that are distinguished by the combination of attractions and amenities for the express purpose of attracting and serving large numbers of visitors.

**Secondary seasons** Periods when tourism activities are either increasing toward peak levels or declining from peak levels; also called “shoulder seasons.”

**Ship personnel** All individuals responsible for the safety and navigation of cruise ships.

**Spa resorts** A resort property dedicated to fitness and the development of healthy lifestyles.

**Space ratio** A statistical measure of the GRT of a ship to the number of passenger it can carry.

**Staterooms** Guest rooms on a ship. Also called cabins.

**Strategic grouping** Groups that share common interests.

**Urban tourism** Tourism that takes place in large cities, where hotels and other facilities and services have become an integral part of urban activities.



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# PART II

## Integrated Cases

Flying the Competitive Skies: U.S. Airline Industry

Georgia's Restaurant Businesses

Taking a Dive

## FLYING THE COMPETITIVE SKIES: U.S. AIRLINE INDUSTRY

DALE KRUEGER AND DENISE BARTLES

According to a *Fortune* Magazine article entitled “Airlines, Why the Big Boys Won’t Come Back,” the traditional airline industry (the majors) has been facing major competitive changes that were brought about as a result of the business practices of the discount airlines. For the six major airlines that were established prior to deregulation of the industry—American, United, Delta, Continental, Northwest and U.S. Airways—the competition has been so intense (with soft economic conditions) that they have been unable to raise prices sufficiently to cover higher fuel costs, labor costs, and security costs.

As a result, the majors have lost market share and the trend apparently has continued as the discounters, principally Jet Blue, America West, and Southwest, have continued to increase their market share. The discounters now control 25% of the market. The question is whether the majors can adapt to the external environmental threats and the competitive industry environment, or will they continue to lose market share and eventually go out of business. With the different business models in the airline industry, the questions become: What is the forecast and what are the possible scenarios in the airline industry?

Despite the airline industry’s lack of profitability, an editorial in the *Washington Post* entitled “Airline Mogul Remains Upbeat,” writer George Will states that Doug Parker, president of America West Airlines, has remained optimistic. He has attributed this optimism to America West’s hubs. America West’s hubs in Phoenix and Las Vegas enjoyed tremendous economic expansion in the last 10 years.

Parker, however, indicated that there are far too many airlines in an industry that has overcapacity. He suggested that causalities are inevitable, and with the industry competition, each airline has to put together various strategies to increase market share, maintain market share, or downsize the airline in an attempt to differentiate its service, while at the same time avoiding bankruptcies or entering bankruptcies to reorganize.

### The Structure of the Airline Industry: Major and Discounter

There are two basic types of operational models used by the airline industry—the hub-and-spoke and the point-to-point. United, American, Northwest, Continental, Delta, Air Tran, U.S. Airways, Midwest Airlines, Frontier, and America West operate a hub-and-spoke system. In the hub-and-spoke system, flights from all over the United States fly into major hubs where passengers disembark ending their flight, or they take a connecting flight to the city of their choice. This model allows each airline to fly passengers from smaller cities into the hub and then funnel these passengers to destinations on its own airline or on a regional carrier airline. The hub-and-spoke model permits airlines, with the help of the regional carrier (with its smaller aircraft), to serve small cities, which have insufficient traffic flow to support a major airline. For example, America West, now U.S. Airways, has operated two hubs, Phoenix and Las Vegas, and with the help of its regional carrier, Mesa Airlines, it serves many other smaller sized cities in the Western United States. Delta has hubs in Atlanta, Georgia; Cincinnati, Ohio; South Carolina; and Utah; Northwest has hubs in Minneapolis, Minnesota; and Detroit, Michigan; United’s hubs are in Chicago, Illinois; and Denver, Colorado; American’s hubs reside in Chicago, Illinois; and Dallas, Texas; and Continental’s hubs are located in Newark, New Jersey; and Cleveland, Ohio. The airlines that use the hub-and-spoke model usually have a variety of different types of planes; therefore, to service these different types of planes, maintenance, training, and inventory costs (plane parts) are more costly because of variety of aircraft. However, these airlines are able to maintain and increase load factors from smaller hubs to larger hubs to maximize revenue.

In contrast to the hub-and-spoke model, the point-to-point model is based on a transportation system similar to one used by bus companies. Southwest and Jet Blue are the principal airlines that use this model. Flights start in one city and then proceed to other cities where some passengers deplane and other passengers remain on the plane to proceed to the next city. For example, someone might start in Houston, Texas, with the final destination being Chicago, but rather than a direct flight to Chicago, the passenger may have stops in Oklahoma City and Kansas City before arriving in Chicago. The benefit of the point-to-point model is the efficiency generated by having aircraft in flight for longer periods of time and leasing gates at older less costly airports, both of which lower operating costs. Southwest, for example, flies from Houston, Texas, to Dallas to Oklahoma City, to Kansas City, Missouri, ending the flight in Chicago.

Point-to-point airlines usually operate only one type of aircraft. Southwest uses only Boeing 737s, which reduces training costs, maintenance costs, and inventory costs because only one type and size of craft needs to be serviced. However, the point-to-point carriers do not fly into smaller cities where there are a limited number of potential passengers; whereas, the hub-and-spoke airlines service the smaller cities with smaller aircraft or rely on smaller regional carriers to service their hub-and-spoke model. Both the hub-and-spoke and point-to-point have different approaches to generating revenue, but each model has different training and maintenance costs because of the different aircraft used (see Table I).

To compete with the low-cost airlines and their point-to-point systems, the majors, and some of the discounters including America West, implemented a code-share system by which passengers could purchase tickets on two different airlines. This was convenient for the passenger and reduced transaction costs for the code-share partners. These airlines maintained their own reservation systems with the code-share capability and also sold blocks of airline seats to Internet companies, wholesalers, and channel distributors, such as Orbitz and Travelocity.

Not all airlines perceive this model as beneficial. For example, Southwest does not code-share with any other airline and maintains its own reservation system. Southwest has refused to allow Internet companies to sell Southwest seats. This has enabled Southwest to control costs and more adequately project revenues when compared to other airlines.

In contrast to the discounters, the major airlines were often saddled with debt obligations, union contracts that guaranteed high salaries and wages to their employees, and under-funded pension plans. Pricing pressure made it impossible for the majors to increase the cost of tickets to cover their own costs let alone meet the

**Table I** Comparison between Southwest and America West

<b>America West Airlines</b>	<b>Southwest Airlines</b>
Hub-and-spoke	Point-to-point
Three types of aircraft-143	One type of aircraft-388
First class and coach seating	Coach seating
Assigned seats	No assigned seats
Boarding rear first	Boarding first come
Use many on-line reservations systems	Use own on-line system
Code-share agreement with other airlines	No code sharing
Paid meal service on some flights	No meal service
In-flight movies on some flights	No in-flight movies
Baggage transfer between airlines	No baggage transfer
Overbooked flights receive discount on other airlines	No discount for other airline passengers

reduced prices of the on-line discounters. Instead, the majors have had to compete by differentiating their service, such as providing first-class seating and seating choices in coach.

## GOVERNMENT REGULATIONS THAT AFFECT AIRLINES

Historically, the airline industry had been highly regulated and subject to a high degree of political involvement. The industry was subject to regulations promulgated by the Department of Labor, Occupational Safety and Health Administration, the Environmental Protection Agency, the Department of Defense, the Federal Aviation Administration (FAA), and The Department of Transportation (DOT). The FAA, for example, could issue regulations affecting flight safety, such as the requirement that airlines had to install a system to reduce the chance of fuel-tank explosions in Boeing and Airbus aircraft. The airlines were given a deadline to meet these requirements, generally with a phase-in-period. The Aviation Transportation Security Act required the airlines to screen every piece of luggage for explosive devices by 2003. These unfunded mandates cost the airlines millions of dollars. Failure to comply with the regulations meant that DOT could revoke an airline's certificate of public convenience, resulting in a revocation of its permission to fly. Although the possibility of a government revocation exists, it remains more of a negotiation factor for the government in regulating the airlines.

Traditionally, the majors had controlled most of the landing slots at a half-dozen international airports by entering into long-term leases with the airports. This greatly reduced competition from the discount airlines at major hubs, but the discounters leased less expensive gates at older national airports, such as Houston's Hobby and Chicago's Midway.

After the terrorist attacks of 9/11, national and international transportation interruptions seemed imminent due to possible terrorism and other global instability variables. To help the airlines, the federal government passed the Emergency Wartime Supplemental Appropriations insurance programs under the Air Transportation Safety and System Stabilization Act. This act provided the airlines with cash payments for 9/11 interruption in airline travel, and with the opportunity to secure a government-guaranteed loan to offset the increased costs for security. These federal government injections of liquidity helped airlines survive in the short run. The supplemental appropriations extended only until March 2008, at which time the airline industry had to self-insure. The additional cost to the airlines of terrorism insurance could not be passed on to passengers due to the extreme price competition in the industry. Private insurers did not want to assume liability for unforeseeable catastrophic events. As a result, the airlines' choice of insurers was limited, which resulted in higher premiums for coverage.

Some airlines, such as America West, were able to secure a government-guaranteed loan, but the loan agreement contained strict limitations on management prerogatives. America West borrowed \$429 million plus a term loan for \$73.2 million, but in return it was required to maintain \$100 million in cash reserves and to prepay the government loan with the net proceeds of all issuances of debt or equity by its holding company. Any money derived from asset sales in excess of \$20 million in any fiscal year and insurance proceeds in excess of \$2 million (to the extent such proceeds were not used to restore or replace the assets from which such proceeds were derived) had to be paid to the government. A further restriction on airlines that received the governmental loan was the requirement that the airline had to control labor costs.

In addition to the legislation intended to preserve the airlines, there were unfunded governmental mandates levied on the airlines. Airlines were subjected to the Aviation and Transportation Security Act (ATSA). This established a new Transportation Security Administration within the Department of Homeland Security. ATSA mandated that by December 2003, all checked baggage at U.S. airports had to be screened using explosive detection systems. There were also new requirements for strengthening



cockpit doors, deploying federal air marshals on board certain flights, improving airline crew security training, and expanding the use of criminal background checks of employees. Implementation of these directives resulted in delays and disruptions to air travel. Funding was provided by a \$2.50 per ticket tax, not to exceed \$5.00 per one-way trip.

There were additional direct fees on carriers. For example, America West's compliance costs under the requirements of ATSA amounted to \$13.2 million. Additionally, the Environmental Protection Agency had reached an agreement with 11 airlines, which meant the airlines had to periodically check water quality on flights. Because of these government regulations, airlines were not able to recover the additional security costs through increased fares, nor was it possible to predict what security requirements would be imposed in the future by federal or state regulations. The slow economic growth limited the airlines' ability to pass on increased operating costs. These government rules and regulations helped restrict the airlines from expanding operations and revenues and forced most airlines to downsize.

### **The Travel Industry and Economic Cycles**

Historically, business in the travel industry, which includes airlines, hotels, motels, car rentals, etc., has fluctuated on a seasonal basis with the summer months being the high traffic periods. Therefore, revenues have been greater in the second and third quarters because the demand for leisure travel increased as families and individuals planned vacations. However, travel industry revenues are adversely affected by specific events, such as airport congestion, weather conditions (hurricanes, etc.), mechanical problems, and security concerns that result in cancelled flights and delays. Also, the industry is affected by the U.S. economic cycle in terms of recession and growth. For example, as the U.S. Gross Domestic Product (GDP) increases, so does the travel industry sales and revenues, and when the U.S. economy falters, travel industry revenues decline.

From 1991 to 2000, the airlines along with the travel and tourism industries experienced growth. Historically, the travel and tourism industry grows faster than GDP. However, during periods of economic expansion, travel and tourism have been extremely price sensitive. As incomes increased so did the demand for travel.

During recessions, the travel and tourism industry sales fall, but the economic evidence indicated that the decrease in output and revenue did not fall any more than the percentage decrease in GDP. Most estimates indicated that the travel and tourism industry's share of total output for the total economy had varied between 4% and 6%. For various sections of the country that rely on the travel industry, such as Phoenix and Las Vegas, the total output exceeded 6%.

The travel and tourism industry accounted for 3.6% of total U.S. employment and for 27.7% of the employment in Las Vegas, which had a population of 1,375,765 as of 2000. The percent of travel-related employment in Phoenix was not far behind Las Vegas. For example, Phoenix had experienced a population growth of 31.7% since the 1960s from 663,510 to 3,072,149 in the year 2000. Because of population growth and tourist attractions in Phoenix, and Las Vegas, the importance of the travel and tourism industry for these regions was significant. As a result, other cities and states have recognized the economic development potential of the travel industry and have allocated funds for promoting travel and tourism. However, beginning in 2000, as the GDP faltered, the travel and tourism industry growth wavered.

For the next five years, economic growth in the United States, although positive, was not sufficient to eliminate the overcapacity of the industry, and with fuel costs escalating the airline industry could not pass on the increased operating costs. The immediate result was significant losses for almost all airlines except for some of the

discounters such as Jet Blue and Southwest, which either had sufficient cash reserves to hedge on fuel costs or labor costs lower than the major airlines. By 2006, most airlines had reduced labor costs and downsized sufficiently, except for Northwest and Delta which were still in bankruptcy. In 2007, the financial projections for most airlines indicated a return to profitability assuming stable fuel costs, no recession, and other external impacts.

### Airline Industry after 9/11

With the onset of the U.S. recession in 2001, the airlines' losses mounted. The terrorist attack on 9/11 plunged the airlines into more red ink. The fourth quarter of 2001 saw substantial airline losses. These losses continued into 2002, 2003, 2004, and for some airlines into 2005. Over these years, the airlines' cash balances declined significantly. For example, United Airlines, which was in bankruptcy, reported a \$1.4 billion loss in the second quarter of 2005. In 2004, the current ratio and the quick ratio for the airline industry were .8 and .7, respectively, which compares unfavorably with the S&P 500 standard of 1.5 and 1.2.

On July 17, 2005, aviation experts reported that airlines were in desperate shape. The airlines had been short of cash and had carried a heavy debt load. For example, the big five Delta, United, Northwest, American, and Continental incurred billions in debt and with soaring fuel costs the question arose whether the airlines could stay the course. Even though the industry reduced costs, borrowed more funds, or sold assets, many other external risk factors impacted the airline industry (see Table II).

These risks, particularly the social factors, could immediately and adversely affect the airlines. SARS and the bird flu could shut down airports and quarantine passengers at airports. Scenarios for this type of possibility already existed.

The soft economic conditions starting in 2000 and 9/11 prohibited the airlines from showing any substantial improvement in revenues. This revenue problem continued until the summer of 2003 because of continued terrorist threats, adverse weather conditions, and the acts of foreign governments. The supply and demand conditions in the oil industry added to airline costs. From 2001 to 2006, oil prices fluctuated, and in 2006, they increased to all time highs. Those airlines that had the cash to hedge a large percentage of their fuel costs were able to decrease the red ink. Southwest Airlines avoided a loss by hedging 100% of its fuel costs in 2002. Other airlines, particularly the big five with less cash, had to totally or partially absorb the jet fuel price increases.

The major airlines were projected to lose \$5 billion each in 2005, based solely on the rise in fuel costs. This projection was based on the assumption that oil prices would return to \$40 a barrel. Fuel prices did not return to \$40 a barrel; and therefore, losses were greater than projected. With labor and other costs higher than the discounters, the majors lost money as they continued to match the lower prices offered by

**Table II** External Airline Risk Factors

Global instability	Military presence in Iraq and Afghanistan
Potential or actual terrorist attacks	Social risks—SARS and avian flu (bird flu)
Government regulations	Insurance costs because of global instability
Interest rate fluctuations	Soft economic conditions (GDP)
Fuel price increases	Financing availability to fund future business
Industry competition	Cyclical affects of the travel-airline industry
Union relations with the industry	Competitive practices in the airline industry
Unfunded pension obligations	Changes in federal and state laws

the discounters. Labor costs both as a percentage of total expenses and per available seat mile was trending down in general, but could vary considerably both among and between the major and discount airlines. According to a *USA Today* article entitled, “Low Fare Airlines are Losing Their Edge,” the spread between these operators was closing, but in some cases there was still about a two percentage point or more difference in labor costs as a percentage of total expenses and the labor cost per available seat mile could amount to \$2.00 or more in most cases. United and Continental reported the lowest costs for the majors while ATA and Jet Blue reported the lowest costs for the discount carriers. It was also interesting to note that Southwest Airlines was an outlier as it had one of the highest labor expense percentages and one of the highest labor cost per available seat mile expenses for all airlines. Some of the variation in labor costs among the airlines may be attributable to union contracts varied based on hours worked. For example, some of the discount airlines had reached agreements with their pilots which required the pilots to fly 80 hours per month; whereas, the majors worked their pilots 50 hours per month per contract. Despite these disparities, the airlines benchmarked their expenses on a cost per seat mile.

Because of fuel and labor costs, the majors had been saddled with billions in debt and a negative \$3.2 billion or more in equity. For the airlines, there had been only two methods for reducing labor costs: negotiate reductions in pay and retirement benefits with the unions and downsize. The other option was to increase revenues, but revenue growth had been difficult to achieve in an industry saddled with overcapacity, consumer price sensitivity, and intense rivalry.

In the past to reduce or eliminate competition, the majors controlled most of the landing slots at the newer international airports through leases. Therefore, the discounters increased service to the smaller national airports such as Chicago’s Midway and Houston’s Hobby. To equalize the competition in the last 10 years, the government encouraged airports to lease more gates to the discounters in the industry at the newer airports. As more gates became available, competition at major airports increased, which placed greater pressure on the majors to reduce costs.

At the same time, the labor unions rejected reductions in labor costs and, in some instances, asked for greater increases in pay. Southwest Airlines workers, for example, moved into the upper tier in pay and the flight attendants asked for a 40% increase in pay. America West settled with their pilots for an 11% increase in pay.

Because of the many governmental restrictions and the airlines’ limited ability to respond to competitive developments, adverse economic conditions and/or global instability resulted. This has caused most majors to file for bankruptcy protection: United, U.S. Airways, Delta, Northwest, ATA, and Air Tran. Bankruptcy enabled these airlines to reorganize, renegotiate more favorable union contracts and more favorable airplane leases, while attempting to eliminate unfunded pension plans and overall debt obligations. In fact, to help the airlines return to profitability, some experts have suggested the Federal Government eliminate the \$15 billion in transportation taxes and costs for the airline industry.

### **Travel Industry Trends**

Despite billions in airline losses due to industry overcapacity and soft demand in the travel industry, the economic projection for the U.S. economy and overall travel industry continued to be favorable. The Federal Reserve had a low-interest rate policy from 2001 until 2004 with some projected increases for 2005 and 2006. In 2000, the fiscal stimulus from the federal government helped restore economic growth, and the low rate of inflation promised a healthy economic outlook for the future. As a result, the U.S. Travel Revenue is projected to grow between 3% and 7% from \$193.1 billion (as related in Table III) in total U.S. travel revenue for years 2002 through 2006. These

**Table III** U.S. Travel Revenue*Total U.S. Travel Revenue (U.S. \$ and Percent Change)*

Year	Total Revenue (\$)	vs. Year Ago (%)
2002	193.1	
2003	199.2	3.2
2004	210.2	5.5
2005	225.2	7.1
2006	234.2	4.0

Source: Online Corporate Travel 2001–2003: Market Share, Strategy, Forecasts and Commentary. (2002, January). PhoCusWright, Inc.

figures included air, car, and hotel, tour, and cruise accommodations, but they did not include travel-related expenses such as meals and entertainment. The 2002 revenue figures and the total revenue projections for 2003 through 2006 are illustrated in Table III at the end of the case. Table III also indicates the size of the total U.S. travel market.

Despite the projected growth in the travel industry, overcapacity in the airline industry prevented the industry from raising fares except for a small increase of \$2 to \$5 in one-way fares to cover the higher fuel costs. Since deregulation, the industry had been highly competitive and, ironically, instead of immediately increasing prices of tickets to cover fixed costs, the airline companies sold blocks of airlines tickets at a low cost to on-line Internet companies, such as Orbitz, Travelocity, Expedia, Hotels.com, Priceline, and Hotwire. These Internet companies and the airlines developed their own web-based reservation systems and the Internet provided a marketing outlet. Besides the airlines, the on-line travel companies also included rental car companies and hotel chains. In fact, most airlines leased blocks of hotel space to accommodate passengers when flights were over-booked and provided one-stop shopping, which means the customer can book the airline flight, the car rental, and the hotel space at the same time. This one-stop shopping trend is projected to continue.

Projections indicated that the use of the Internet to book airline travel was expected to grow by 25% per year. In 2002, 15% of all travel was booked on-line, and by the end of 2005, it was expected to grow to 30%. If the travel sector had a slow but steady recovery in the future, it was projected, that within a few years, 50% of all bookings would be done on-line with airline websites and on-line travel companies equally sharing these bookings' pricing pressures. The competitive pressure from the on-line discount travel companies required airlines to develop strategies for providing greater customer service to attract customers.

Airlines continued to attempt to attract frequent fliers. For example, to compete more effectively and provide customer service, airlines accessed databases of frequent flyers to promote not only the sale of airline tickets, but also hotel accommodations, car rentals, cruises, and vacation packages, thereby reducing transaction costs. Other cost reductions were obtained by using technology, such as the use of scanners for boarding passes and kiosks for e-ticket check-in. Consumers, as buyers, often chose to fly or drive based on the price of the airline ticket.

Even with the favorable forecast for the travel industry, the airlines had not indicated whether they could make the necessary structural changes to avoid future bankruptcy or liquidation. The various opinions circulated in the media add to the confusion in the industry. Glenn Tilton, president of United Airlines, predicted that United would emerge from bankruptcy. This occurred in the second quarter of 2006. However, because United racked up a \$1.4 billion second quarter loss for 2005, and

substantial previous losses, the creditors were expected to receive only 7% of the \$30 billion the airline owed. Instead, United Airlines and others, including some airlines that have consolidated, proposed that creditors receive stock in place of the debt owed.

Bruce Wakefield, president of U.S. Airways, stated, “The merger or buyout by America West Airlines of U.S. Airways has allowed the merged airlines to become a stronger airline with U.S. Airways strong on the east coast and America West on the west coast.” In 2005, Delta needed more than \$5 billion in cuts to avoid bankruptcy, and it planned layoffs and service cuts despite the \$425 million cash infusion from the sale of South East Air. Despite these announcements, Clayton Securities analyst Ray Neidi said he expected the airline to file bankruptcy “some time after Labor Day in 2005,” and that prediction came true. Delta and Northwest Airlines filed and entered bankruptcy in 2005. With Northwest machinists on strike and not agreeing to the proposed cuts, the question continued to surface about whether Northwest Airlines and Delta can restructure and survive. Delta started with merging the discount airline Song into the main airline structure. For Northwest, outsourcing the machinists’ jobs and flight attendants jobs helped the bottom line, assuming the flight attendants do not strike.

The demand for airline travel slowly increased from 2002 to 2006, which enabled the airlines to increase prices by 10.3% in first quarter of 2006, compared to first quarter of 2005, to cover fuel costs and other escalating costs, such as security. However, when considering Michael Porter’s Five Forces Model, these price increases and time delays because of security screening encouraged customers to find substitute methods of travel. Traveling by car between cities regionally became more economical. However, if the price increases do not decrease airline demand, then suppliers and buyers in the airline industry benefit.

### **Airline Suppliers and Buyers**

Until 2006, the unprofitable airline companies adversely affected the supplier power, buyer power, and barriers to entry within the industry. Creditors (buyers of aircraft) and the manufacturers (suppliers) have a vested interest in the success of airline companies. To insure potential buyers for aircraft and insure creditors have received payment for the leased aircraft, the creditors (lessors) and manufacturers continued to supply funds for airlines to stay in business.

For example, it was reported that General Electric and Airbus provided funds for U.S. Airways and America West to consolidate. By keeping the major airlines flying, these creditors (lessors), such as General Electric and Morgan Stanley, have avoided substantial losses and avoided being stuck with many unused aircraft as each airline reorganizes. At the same time, these agreements have helped an industry remain in competitive turmoil.

The two principal manufacturers and suppliers of aircraft, Airbus and Boeing, lost business since 9/11 and the travel industry only recently returned to the same level of business prior to 9/11. Boeing, for example, lost sales because of 9/11, and in addition, it has trailed Airbus the last four years in the sale of new aircraft. All the while, Boeing’s bread and butter airplane, the 737, accounted for less than 50% of its revenue. In competition with Boeing, the larger Airbus was built to carry more passengers and was claimed to be more fuel-efficient because of the increased size of the aircraft and additional load availability.

However, Boeing entered into a game-saving strategy by developing the Dreamliner. This 787 aircraft sold for \$120 million. The advantage of this aircraft was that it was built mostly of plastic composites. The plastics have been proven to be lighter and stronger than aluminum, making the aircraft more fuel-efficient, with fewer parts. The production function became simpler and more efficient than the production of the older aluminum aircraft.

Because of the economic uncertainty in the airline industry, the market for newer aircraft continued to remain uncertain. For example, Airbus has not sold many jumbo



jets that carry 500 to 600 passengers, despite the fact that Airbus is subsidized by some of the European governments. This subsidization has made Airbus more price competitive than Boeing. As a result of government subsidies for Airbus, the United States filed an unfair competitive complaint with the World Trade Organization.

The competitive rivalry in the airline industry left the industry with sizable losses, cash shortages, and forced Northwest, Delta, U.S. Airways, and United into bankruptcy. When one airline eliminated a route or downsized, another airline jumped into the void, which raised the question per Porter's model as to whether the major airlines can restructure and return to profitability. In the airline industry, barriers to entry are weak to moderate with the intense competitive rivalry, with uncontrollable threats from external risk factors, and with any number of possible scenarios among the different business models, all of which makes forecasting difficult for each airline within an industry where it is difficult to analyze and to predict the future. Can the majors survive, maintain their position, downsize, consolidate, and recover?

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## GEORGIA'S RESTAURANT BUSINESSES

SAMBHAVI LAKSHMINARAYANAN

"I could just wring their necks!" muttered Georgia to herself as she trudged in the chilly and windy aftermath of a snow storm to her restaurant, Upside Down. Yet another crisis at the recently opened store had made it necessary for her to rush there on a Saturday morning. Her mood only worsened as she accidentally stepped into a puddle of icy water gathered at the street corner. Georgia would much rather have been at home with her children making their breakfast and taking them for swimming lessons, but she had no choice other than to go. The people incurring her wrath were both the employees at Upside Down and the partners who co-owned the restaurant with Georgia.

### IT Professional to Restaurateur

Georgia's parents were typical immigrants who had come over from the "old country." They had worked hard to ensure a better future for their children, of whom Georgia was the oldest. Georgia went on to obtain a college degree in Computer Science. In defiance of her father's strictures to adhere to their cultural norms (daughters stay at home until they are married), she then obtained a job and left home. In the face of parental disapproval, Georgia's brother, Stephen, supported her and even moved in with her in a show of solidarity. Eventually Georgia married one of her classmates from college. In 1988, they moved to a small town upstate where both were employed as computer software professionals in a large multinational firm. Her husband Michael worked as a software programmer and Georgia worked in quality assurance and de-bugging code.

In 1995, Stephen brought a business idea to Georgia and Michael. He proposed that they take over a restaurant in a major metropolitan city. Stephen had established himself there as both a real estate developer and a restaurant owner. While he himself was not interested in taking on a new business at that time, he felt it had great potential. Georgia and Michael also felt it was time to make a move. They had enjoyed their work immensely and were happy with how well they were treated as employees at the firm, but it was the beginning of the outsourcing trend at their company and the future was uncertain for IT professionals there. They decided to take the plunge and become entrepreneurs; that was how "Food Station" opened that same year in the city.

In the beginning, Georgia and Michael had to work extremely hard to establish Food Station. The neighborhood was not well developed; for instance, construction of the road in front seemed to go on forever. They persisted and built the business up, customer by customer. Georgia recalled the first Christmas when she brought her infant daughter to the restaurant and spent the entire night mailing out holiday cards to customers. Many customers stopped by later to thank Georgia and mention that they had never received such a card before from a local business. Similarly, for Thanksgiving,

regular customers were given “thank you” cards instead of the check. Such special marketing touches, along with a large and moderately priced menu, ensured a reliable group of regular customers for Food Station. One customer even ate three meals a day at the restaurant for several years.

Although it was a big switch in careers, Georgia and Michael both enjoyed the experience of running their own business very much. Georgia has always been a people-oriented person and Michael liked the sense of control he had. They even put their skills from their prior jobs to good use. For instance, as early as 1996, Georgia analyzed their customers’ behaviors and maintained a list of addresses of regular customers in an excel file. By 2004, at a time when few restaurants that size had an electronic order-taking system, Michael had installed one at Food Station and trained all staff on using it.

Over time, the neighborhood around Food Station improved dramatically and became affluent, trendy, and upscale. However, Food Station did not make major changes to either the menu or prices. The restaurant remained popular with not only older residents but also gained new customer segments, such as tourists and professionals working in the area. Some celebrities who lived in the area became regulars, apparently appreciating an opportunity to dine in a low-key manner with their family.

### Things Go Upside Down

In mid-2007, Stephen came by with a new business proposition for Georgia and Michael. He had come across a distressed restaurant and proposed that they enter into a partnership with four others, including himself, to take it over. Stephen was very persuasive and tried to convince them that the partners would contribute both money and expertise to the enterprise. Initially, Georgia was reluctant since she had not had business interactions with the other partners. At the same time, the idea was intriguing and interesting. She also felt compelled to support her brother in his business plans.

Georgia was confident that she had the expertise to run another enterprise like Food Station. It was possible with planning, time, and effort; that a management team could be put in place at Food Station, so that it could be run with only a light touch from the owners. The catch was Georgia was not sure that she wanted to make a full-scale commitment to grow another business at this stage of her life. However, after due discussion and deliberation, Georgia finally agreed to the proposal for the partnership with the understanding that it would only be a part-time commitment for her.

At the time the partners purchased the restaurant, it was in bad shape. The interior was run-down, dull, and uninspired, the staff was unmotivated, the menu looked tired, and there was no steady clientele to sustain the business. However, Georgia agreed with the other partners that the business had a lot of promise and potential. A main reason for such optimism was the presence of a thriving and busy neighborhood, with plenty of offices. There was also a fairly large and well-known college almost directly across the street. A mix of residential apartment buildings and smaller retail stores was scattered in the surrounding blocks. A little further away, although still within walking and reachable distance, was a major train station with attendant hotels and tourist traffic. Another reason for confidence in the venture was that Georgia and many other partners had experience in the industry.

It was apparent that the restaurant would need rework before it could deliver its potential. Its previous lack of a good reputation and state of disrepair were impediments to success in its current state. Georgia’s partners, who contributed to the initial investment, decided it required a complete renovation and wanted to reposition it as a bar-cum-restaurant. Although not completely convinced that it was the best plan, Georgia agreed. The restaurant was shut for many months, as the interior was gutted and redone, and a complete bar was outfitted in the interior.

The renovation process took about eight months to be completed to all the partners' satisfaction. Michael then chose a new name for the store. In 2008, the restaurant reopened in a quiet way, as "Upside Down." There was reason to be optimistic when it reopened; the redesigned interior was extremely pleasant with artistic touches and appealing earth tones, the bar was well designed and located in the middle of the restaurant, and the neighborhood had a promising mix of potential customers.

However, from the start, Upside Down was unable to capitalize on these advantages. The reasons were both strategic and operational. There was unresolved confusion between the partners about how to position Upside Down—should it present itself as a family restaurant, a quasi-professionals eatery, or a late night bar hangout? Each one of these had a potential customer pool. A persistent concern was whether any one such niche would be large enough to sustain the business and help it grow. Being very narrowly defined might cut out certain groups from the mix. The partners tried to balance all these different customer needs and requirements by having both a bar and an extensive menu, offering eclectic items as well as traditional, comfort food, with a wide range of pricing. Then it seemed that in trying to be all things to all people, there was a danger that Upside Down was not being especially attractive to any of them.

Another serious issue was that of staffing. As a restaurant, having a good staff was critical to its success. However, the restaurant business is notorious for turnover and it appeared that Upside Down did not escape that curse, indeed having it worse than many others. One of the initial partners was a chef/manager, Johnny, who had been recommended by one of the partners. Within a short time of reopening, it became clear that he was not up to the task of running the restaurant. Stephen recommended that he be terminated from the job and the partnership, and that was done. Since then Georgia had to fill in as intermittent manager, as many employees were hired and fired as chief chefs or managers. There was also churn in other positions such as wait staff and bartender. One announcement for a bartender position drew about 800 responses, but barely a handful of them were qualified and passed muster in other respects.

For Georgia, one irritating problem was that she was soon pushed into the role of the chief decision-maker and emergency manager of Upside Down. Soon after opening, the restaurant was faced with a series of operational issues, such as: a bartender found drinking on the job one day, the chef insisting on making his own dish rather than the one listed on the menu, and a sudden visit by a neighborhood magazine to write a review. All these situations needed immediate decisions and action, and there seemed to be nobody other than Georgia to pick up that slack. That state of affairs continued, hence her trek to the restaurant on a blustery Saturday morning.

The more serious and nagging concern on Georgia's mind, however, was not about the operational challenges. It was about the status and future of the partnership.

### **Family, Friend, or Partner?**

In running Food Station, Georgia was used to complete control in making all levels of decisions. She and her husband were co-owners; they worked in complete harmony and with a unified vision.

However, the partnership at Upside Down was a completely different experience. Each of the partners appeared to have a different vision and wildly varying levels of commitment, among themselves, and even for the same person over time. In the beginning, there was considerable enthusiasm and each partner made the required initial financial investment readily. Over time there was erosion in their quality of commitment and involvement. Although ready to proffer expert opinions and directives, nobody else seemed ready to contribute in more tangible ways. The responsibility for the business enterprise fell on Georgia and Michael.

The initial partnership consisted of six people—Stephen, Georgia, Michael, Bernard, Malcolm, and Johnny. When the partnership was formed, there was an initial (unwritten) understanding that all partners would be contributing equally in terms of money and their time involvement to the enterprise. The exception was Johnny, who was only expected to contribute his time and effort. As mentioned, that did not work out, due to differences between Johnny and the other partners as to the type and quantity of work he contributed.

Stephen was the driving force in forming the partnership: Georgia and Michael were his family; Bernard and Malcolm were his business acquaintances. Stephen was a dynamic and charismatic businessman, who had set very high goals for himself as an entrepreneur. Although he had extensive hands-on experience in running a restaurant of exactly the same sort as Upside Down, his personal focus was on building the real estate side of his business portfolio. That took up a lot of his energy, and he was simply not able to put time into Upside Down. On occasion, he did try to visit and “set right” what he felt were errors, and on one memorable instance, even dismissed a manager from afar, while he was travelling abroad. His involvement in Upside Down was sporadic, although he expected his recommendations to be carried out immediately, since he viewed himself as both tough and knowledgeable in the business.

Malcolm was the owner of a restaurant very similar to Upside Down, located not too far from it. His restaurant was well-established and successful. Malcolm gave first importance to running his own restaurant and viewed his involvement in Upside Down as that of a silent partner. Even when he was aware of the immediate urgency of someone needing to step in for Upside Down, he did not volunteer to do so. Malcolm was known to Stephen since they belonged to the same community and industry.

Bernard was not only a business acquaintance but also partner with Stephen in other business enterprises. He had little prior experience in the food industry and his primary focus, like Stephen’s, was also on real estate. Bernard was different from the rest of the partners, in that he belonged to a different ethnic community and was also considerably younger. Indeed he had recently got married and had an infant son. Although Bernard did not have direct industry experience, many of the issues at Upside Down simply required general management decisions which he could have performed with ease. However, Bernard proved resistant to taking on any of those tasks and often cited other (more important) demands on his time.

Georgia and Michael had experience in running exactly the kind of business that Upside Down was. However, their first restaurant, Food Station, could not be left untended. Initially, Michael took on some of the fire fighting at Upside Down, but soon they mutually agreed that he needed to be present at Food Station.

So it was left to Georgia to tend to Upside Down. Apart from the teething problems common to any new business, the situation was complicated by the unpredictable involvement of partners. Stephen and Malcolm would weigh in with top-level, strategic viewpoints and even decisions that Bernard often went along with. All this was done without much thought to actual impacts, implementation details, and follow through. One example was that of installing the bar. A critical factor in the successful running of a bar is a bartender. There had been at least five different bartenders in as many months at Upside Down. One of them was an attractive woman, who was competent and personable. Stephen decided that she should be elevated to the position of manager, based on her personality. It turned out that her skills as a manager were abysmal. The staff rebelled and she had to be let go. Some bartenders had an inflated expectation of how much money they could make, that was not in tune with where Upside Down was in its growth stage, and they left on their own accord. Finally, the decision to have a bar was not supported by a concerted marketing effort in that direction either.

Indeed, the marketing of Upside Down was confusing to both customers and employees. Each partner appeared to have different ideas on what approach to follow and there was no unified strategy. This began with the most basic issue of the menu; the



conflicting opinions of the partners resulted in inclusion of both “old world” dishes as well as contemporary, trendy, American ones in the list of offerings. Advertising was aimed at distinctly different groups in different ways—these groups included tourists, students, blue-collar workers, young professionals, and families in the area. However, money and time constraints often acted as brakes for repeat advertising toward any one target. For example, in targeting tourists, Georgia distributed coupons and menus to hotel doormen in the area, but nobody had the time to revisit the hotels, so that it turned out to be a one-time effort.

The major operational challenge for Upside Down was that of reliable management. Due to its hours of operation, there was a need for a day and a night manager. One manager, who seemed quite competent, somehow rubbed Stephen the wrong way, and was the one who was dismissed long distance. A day manager had been working out well for a while, although some of the staff complained about him. However, he did not want to take on an evening shift, which was the more lucrative period for the restaurant. The staff itself was barely capable in terms of skill, competence, and expertise. They were sufficient to keep the restaurant afloat in its current position, but certainly not in enabling its growth.

Georgia felt that although she had been pushed into a position of taking the lead on occasion, it was not one of leadership. The partners, other than Michael, did not hesitate in calling, and indeed relying, on her to solve all kinds of issues at all times. At various times, Georgia had handled everything from designing the menu, settling staff conflicts, processing resumes and interviewing applicants, designing marketing programs, to talking to the bank about finances. However, the partners were not willing to cede control to her on strategic and major decisional issues. They also did not respond to Georgia’s requests to pitch in with help on operational issues. Not that they were not polite about it, but it seemed that everyone else always had a convenient reason for why they could not be there at Upside Down. The partners seemed content to direct from a distance, with an implicit understanding that Georgia would do all of the heavy lifting of implementation. Since the partners were all known to Georgia through social and familial connections, she hesitated to counter their suggestions and decisions, or to demand more of them.

Georgia felt strongly that she should have formal control and real leadership, but culture and personality exerted a strong pull on her not to demand it. While entrepreneurship levels were extremely high in Georgia’s community, not many women were involved actively in the family businesses. Even fewer, almost none, were active owners or in formal leadership positions. In terms of personality, Georgia was a very emotionally mature person; in dealing with others, she expected them, mostly in vain, to act in a similar manner. Finally, being the eldest in the family and female, she perceived herself in a care-giving role. All this led to her taking a gentle, persuasive approach rather than a tough and confrontational one. Lately, Georgia was wondering if that approach was effective at all.

The biggest and most worrisome concern for Georgia and Michael was the increasing reluctance of the other partners to inject any more capital into the business; it appeared that they both were the only ones willing to do so. Even as the other partners agreed that the business had potential, they seemed more and more reluctant to put in time and money. For Georgia and Michael, it became even more important that Food Station do well, since a percentage of the profit from there was being funneled to Upside Down. Georgia was also concerned that she was spending altogether too much time at Upside Down, to the detriment of both her “own” business as well as her family.

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This case was prepared and is intended to be used as a basis for class discussion. The views represented here are those of the case author and do not necessarily reflect the views of the Society for Case Research. The views are based on personal judgment. Adapted from Georgia’s Restaurant Businesses, by Sambhavi Lakshminarayanan, 2010 *Annual Advance in Business Cases*. Used with permission from Society of Case Research.

## TAKING A DIVE

SUZANNE WILHELM, REED MCKNIGHT, ROY A. COOK

Roger was brooding, and the more he thought about the problems of the last two weeks, the angrier he became. There had been one problem after another, and the worst part was that no one seemed to care! Not the resort, the travel agency, nor the car rental company! Worse yet, as far as Roger was concerned, he had been lied to. Blowing off steam and commiserating with Harrison, they mulled over their options—everything from poison pen letters to web postings to legal actions. In the midst of their venting, they both got a laugh or two out of how this saga began.

### An Unlikely Friendship

The situation began when Roger was forced to share a tiny office with Harrison's wife, Sheena. Although they both resented being crammed into one seemingly impossible small workplace, they were determined to get along. To their surprise, they found that they shared a common interest in tropical islands, and they found themselves talking about vacationing with their spouses on one of these romantic tropical paradises as a way of easing their office space strains.

### A Dream Vacation

The four of them decided to make their dreams a reality. For Roger and his wife Julie, this would be their fourth trip to their favorite island for scuba diving and they had recommended staying at their usual resort. Traveling to the Caribbean was always an adventure, but this resort was safe, had always delivered excellent service, and had always been responsive to any of their requests or concerns.

But Sheena and Harrison wanted something nicer. They wanted a resort with more of a beach to play on for their daughter who was accompanying them. From their Internet searches they thought that a nearby resort, Ultimate Scuba, which was consistently rated highly in scuba diving publications, would better suit their needs.

Having acquaintances who had vacationed there the year before, Roger confirmed that Ultimate Scuba should meet everyone's needs. The decision to change resorts was made easier since Roger and Julie had also been to Ultimate Scuba on a previous trip and enjoyed a nice dinner at the resort's romantic ocean front restaurant. Although a bit more expensive, it offered more of a beach, upscale accommodations, a good restaurant, and a great reputation for scuba diving.

As repeat customers at their usual resort, Roger had used a travel agent for their first trip, but had booked their trips directly with the resort for the last two. But having never dealt with Ultimate Scuba, Roger agreed with Harrison to book their vacation through a well-known Florida travel agency, Tropical Dive. They both agreed that using a travel agency would provide them with a sense of security. As experienced travelers, both of them knew how important a travel agent could be in effective handling of the unexpected when in another country. As a primary booking agent for Ultimate Scuba, Tropical Dive had what looked like perfect packages to meet their needs.

### Storm Warnings

After dreaming, fantasizing, planning, and booking, it was finally happening. The trip down to Bonaire and Ultimate Scuba had gone without a hitch. They only had to change planes once, in Puerto Rico. And, on the final leg of the journey, the plane was almost empty, just the five of them and one other couple. At 11:00 p.m. on New Year's Eve, they landed on the Caribbean island of Bonaire, just 50 miles north of the

Venezuelan coast. Bonaire was one of the world's premiere wind surfing, snorkeling, and scuba diving destinations.

As they completed their guest registration cards at the hotel desk, the clock struck midnight and a majestic fireworks display began to fill the night sky over the shore of their beach front resort. What a magical ending to a long day that began at 4:00 A.M. the previous morning. However, things started going downhill from there.

As Roger and Julie prepared to call it a night, Julie complained that a cold she had been nursing was really starting to bother her. She felt like the start of a perfect vacation was beginning to unravel and she became a little emotional. She was afraid that her cold would ruin their vacation. Roger sympathized with her, but told her not to worry about ruining their trip. Tropical Dive had said they could downgrade their packages and receive a refund if they decided to reduce the number of boat dives on their trip. He reminded her of how much fun they had snorkeling years ago, before they even learned to dive. In the worst case, if her head cold didn't get better, they would just give up the diving and have a great time snorkeling.

### **Storm Clouds on the Horizon**

After a very short night's sleep, it was time to get up and attend the mandatory morning orientation meeting required of all divers. Roger and Julie drug themselves out of bed, dressed, and went to grab a quick breakfast with Sheena and Harrison before the meeting. However, once they arrived for the orientation, they were told that, due to the small number of new divers at the resort and because it was New Year's Day, management had rescheduled orientation for 1:00 P.M. Roger was surprised that they had not been informed, but decided to see what was required to reduce the number of dives in their package. Karen, the employee at the orientation desk, told them that she couldn't help them with that and they would have to talk to someone in management, but there wouldn't be anyone there until 12:30 P.M. Roger asked who would he need to talk with in management and was told to talk to Brett, head of dive operations.

Later that day, Roger found Brett and explained about Julie's head cold, her inability to dive, and the necessity to reduce the number of dives in their package. Brett replied that he couldn't help them because all changes have to be approved by the office. Again, Roger asked who would he need to talk with in the office and was told Lucinda. Roger headed over to the office and asked to see Lucinda to change their dive package. He was told that she wasn't working that day, but would be back the next day.

### **The Clouds Roll In**

That night, Roger, Julie, Harrison, and Sheena met for dinner at the resort's romantic ocean front restaurant. Upon returning to their cabana, Julie asked Roger why he had messed up her clothes in the closet. He said that he hadn't touched them, and at that point, they noticed the open window. They immediately called to Harrison and Sheena who were lounging on the patio and asked them to check to see if anything was amiss in their room. After a quick inventory, both couples realized that they had been victims of a burglary. Fortunately, each couples' losses were only a couple hundred dollars. It could have been much worse since there was a lot of expensive scuba gear in their rooms.

Roger and Harrison went immediately to the resort front office to report the break-in and their losses. The front desk clerk seemed genuinely unconcerned, but after pressing her to do something, she reluctantly agreed to call both resort security and the police. Based on her apparent indifference, they were worried that the resort had no intention of alerting other guests that there was a burglary problem. So Roger took it upon himself and started making the rounds, going to notify other guests to take extra precaution. At his first stop, the guest next door said his son had had \$200 stolen two

days earlier. And at other rooms, guests said that they had heard through the grapevine that there was a problem. Apparently theft had been a common problem at the resort. Roger felt like he was starting to understand why the resort staff had not informed them of this problem when they had arrived, and he felt even more victimized.

More than an hour later, the resort's security guard arrived at their cabana. He expressed no sympathy and wasted no time in directing their attention to the resort's inch-thick welcome manual in which it was clearly stated that it was the guests' responsibility to secure their possessions or place them in the resort's lock box for safe keeping. An hour after that, the island police showed up and reluctantly filled out a police report and gave a half-hearted promise to get back to them with the results of their investigation.

### The Storm Arrives

Both couples were ready to get on with their vacation plans. They were, after all, in paradise. Julie's head cold was still bothering her, but all Roger needed to do was talk with Lucinda about changing their dive package. However, when he caught up with Lucinda, she told him that she couldn't change their dive package; he would have to talk to management. When he asked who that would be, he was once again told Brett. Roger told Lucinda that when he had talked to Brett the day before, he was told he would need to speak with her. Lucinda apologized, but maintained that she could not make any changes without Brett's approval. Roger was beginning to feel like he was getting the proverbial run-around.

Feeling frustrated and a little angry, Roger headed off once again to see Brett and told him that he had talked to Lucinda who said that he would have to approve any changes to their dive package. Brett denied that he had the authority to make any changes and reiterated that only the front office could make changes and Roger would need to talk to Lucinda. Once again Roger, now more exasperated than ever, headed back to Lucinda's office and told her that Brett still said that only she could make changes.

Lucinda called Brett, but when he picked up the phone, the conversation quickly changed to Dutch, a language Roger neither spoke nor understood. After hanging up, Lucinda told Roger that Brett said it was OK to change from the 12-dive package to the 6-dive package, or even a no-dive package if Julie's head cold prevented them from diving. But if Julie got better and they ended up diving more than six times, they would be charged for the extra dives at a higher individual dive rate. Roger, after having been given the run-around previously, restated what Lucinda had said to verify that that he didn't have to decide that day. Lucinda again said, "No, you just have to let us know before you begin diving." Reassured, Roger said he would get back with her if and when there was a change with Julie's cold.

### The Forecast Changes

Julie's cold persisted and they were unable to dive; the days passed slowly for Roger and Julie. On the following Monday morning, an entire week had gone by since they had arrived and Julie couldn't wait for Roger to wake up. Her cold was almost gone and she could clear her ears, a requirement to be able to dive safely. Finally, now that Julie could begin diving, Roger returned to talk to Lucinda.

Roger told Lucinda that Julie's cold was better and they believed that she was going to be able to start diving that day. Julie had gone down to the dive shop to get her weight belt and to do a short orientation dive at the hotel dock to be sure that she could clear her ears. If she could clear her ears, they wanted to start diving immediately. Due to the fact that they had little time left before flying home, they would not be able to complete the 12-dive package and wanted to reduce it to 6 boat dives. Lucinda reassured him, saying that the change was fine, just to let her know before they made their first boat dive.

### The Storm Returns

Roger and Julie were rested and finally ready to begin enjoying one of their favorite sports and the reason for this vacation, scuba diving. However, there were still some details that needed to be finalized to get their vacation plans back on track. Roger began, once again, to try to track down the decision-makers at the resort.

Roger found Lucinda and told her that the orientation had gone OK and it looked like Julie would be able to dive. He also told her that the 8:30 and 11:15 boats were already full, so they had signed up for the last dive boat leaving at 2:30. As requested, they were letting her know before they made their first dive so they could formalize the change in their package from 12 to 6 dives.

To Roger's dismay, Lucinda acted surprised, wanting to know why they wanted to change. After all, they had bought a 12-boat dive package. Roger explained that the change was necessary because they couldn't make 12 dives. They could only dive once that day, and after that there were only three days left before they had to fly home. As Lucinda knew, diving was not permitted the day before flying, so they could only do five or maybe six dives at the most.

Lucinda looked puzzled as she said that they had had 10 days to make the 12 dives. Roger thought, oh no, here we go again. Are they ever going to live up to their commitment? Roger reminded her that Julie had a bad cold when they arrived and couldn't dive at all the first week they were there. Diving with a cold can permanently injure a diver. Lucinda told him that she knew that, but she couldn't change their dive package. At first, Roger thought she was kidding him, but she insisted that only management could make changes. Roger reminded her that the week before Brett had said it was OK to make the change. Lucinda then said that Brett was unable to authorize changes that only Patty could. Roger asked to speak to Patty, only to be told that it was her day off and he would have to wait until the next morning to speak with her.

### The Storm Intensifies

Feeling even more frustrated, Roger continued to seek answers or better yet, someone who was authorized to make decisions. Roger met with Patty and asked her if Lucinda had explained their problem and the necessity of changing their dive package. Patty admitted that she had but, since they had booked their trip through Tropical Dive in Miami, only Tropical Dive could approve changes. She went on to say that she had already emailed Heidi at Tropical Dive and that a reply was expected shortly. Patty didn't expect there to be any problem.

Later that night, Roger and Julie returned to their cabana earlier than expected; their night dive had just been canceled by the resort because too few divers had signed up for the dive. Harrison and Sheena were in the living room, relaxing. Harrison told them that he had some good news and some bad news for them. The good news was that they had enjoyed a spectacular day. The bad news was that Patty left a message that she had heard from Tropical Dive and they wouldn't reduce their dive package. At first, Roger thought Harrison was just teasing him, but then realized he was not. Roger said he would talk to Patty again the next day.

### No Letup in Sight

Although the couples had joked about their problems, especially the seemingly never ending attempts to change Roger and Julie's dive package, they tried to make the best of things. Maybe today they would finally get some answers. Roger went to meet with Patty about their dive package, only to be told by Lucinda that she wasn't in the office. Roger told her that Patty had left a message saying that Tropical Dive denied the request to change their dive package and he didn't understand why.



Lucinda offered to look at their package to see if she could discover why. She then told him that he had booked a 12-dive package and any changes had to be made before the package began. Roger reminded her that he had been in the office the morning after arriving to make changes before they had even put a toe in the water. He also reminded her that it wasn't until Monday this week that they were finally able to make their first dive. Lucinda agreed, but informed him that no change could be made as they had already started the package.

Roger questioned how the package could have started before they had started diving. Lucinda told him that the package began when he got the key to their room and no changes could be made once they were at the resort. Roger couldn't believe that they would not let them make a change that would save them just a couple of hundred dollars on a hotel/dive package that cost several thousand dollars especially since Julie couldn't dive without risking her health. To add insult to injury, even if they wanted to dive once Julie got better, they couldn't. The dive boats were booked to capacity every day except one and, on that day, the dive had been cancelled.

Lucinda continued to explain that it wasn't the resort that would not let them change; it was Tropical Dive. Since he had been told repeatedly that he could make the change, Roger wondered if any of the resort personnel had authority to act for Tropical Dive. Roger asked, if that were the case, why they were not told a week ago that they needed to deal with Tropical Dive. If only they had been told, they could have called or emailed Tropical Dive for assistance in making the change. Lucinda had no response.

### **No Change in the Forecast**

It was 5:00 A.M. on departure day and the problems and frustrations continued. After missing out on most of their diving opportunities, it was time to go home. Nothing seemed to be going as planned or promised. Roger returned the rental car to Island Rental Car and waited as the attendant inspected it. He told Roger that the car looked fine and the gas tank was full so there would not be any additional charges. As Roger started to leave, the attendant told him he still had to pay the rental charges.

Roger was dumbfounded; he knew the car had already been paid for as it was included in the package they purchased from Tropical Dive. The attendant apologized, but insisted that he had no record of that, and Roger would have to pay or they could just wait until Tropical Dive opened and straighten it out. Roger said he couldn't wait; their plane would leave before Tropical Dive opened. Roger and Harrison had previously tried to change their departure time to a later flight, but all of the other flights that day were full. The attendant offered to put the rental charges on the credit card Roger had given for security when he picked up the car. Having no alternative, Roger reluctantly agreed.

### **Back Home and Still No Sunshine**

After returning home from Bonaire, Roger asked for Harrison's assistance to resolve the problems they had on the trip with their travel agent. They called Heidi at Tropical Dive on a speaker phone to discuss the charges for missed dives and the rental car. They also wanted Heidi to know about the run-arounds they had gotten and the security problems they experienced at the resort.

Roger reminded Heidi of what they had discussed before booking the trip because her agency's packages were a bit different from other agencies he had used in the past. She had told Roger that, if he had doubts about booking the 12-dive package as opposed to the 6-dive package, not to worry. The 12-dive package would save them money on the total number of dives and they could change to the 6-dive package if they decided to do less boat diving. Upon their arrival, Ultimate Scuba had also assured

them that they could make the change at any time as long as it was prior to their first boat dive. He explained to Heidi that Julie had a head cold when they arrived, so they were unable to dive. He went on to say that both Harrison and he tried many times to make the change to a 6-dive package, but all they got was a run around.

Heidi told them that she couldn't believe that she told them that they could make changes, but it didn't matter because they never made refunds on any tour packages. Harrison insisted that she had told them they could make the change. He also told her that they had to pay for the rental car and he knew that had been included in the package. Heidi asked if she could put them on hold while she reviewed their file.

While they waited, Roger and Harrison discussed their options. If satisfactory remedies were not offered, what should they do? They knew they would each write a letter of complaint, but to whom? Harrison suggested possible legal action, but just like the letters of complaint, to whom would these be directed? Or could they even take legal action? One thing was for sure—they were determined to get some satisfaction.

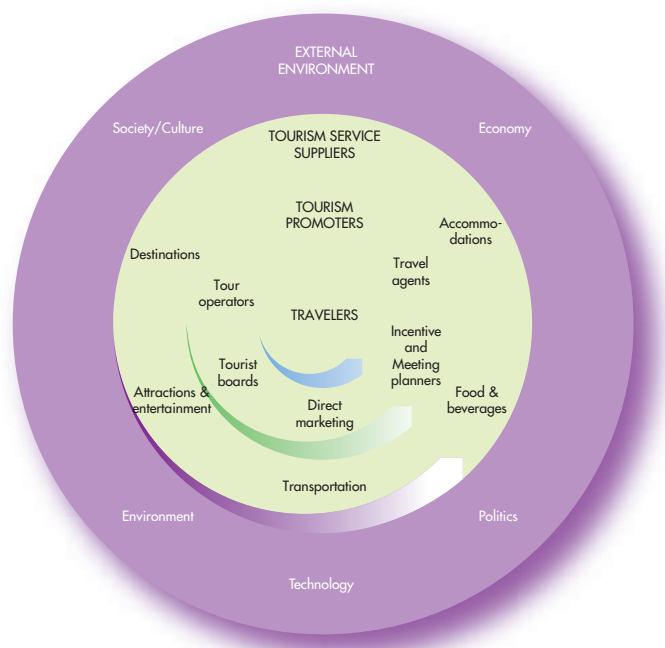
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## The Tourism Environment

### CHAPTERS

- 11** Economic and Political Impacts of Tourism
- 12** Environmental and Social/Cultural Impacts of Tourism
- 13** Sustaining Tourism's Benefits
- 14** The Future of Tourism



*An integrated model of tourism.*

# CHAPTER 11

## Economic and Political Impacts of Tourism

*Nobody goes there anymore; it's too crowded.*

—YOGI BERRA

### LEARNING OBJECTIVES

**After you have read this chapter, you should be able to:**

1. Identify and explain the economic benefits of tourism.
2. Identify and explain the potential economic problems that can be created by tourism.
3. Explain why tourism revenues are considered an export.
4. Explain what is meant by the tourism multiplier concept.
5. List the various organizations that help promote tourism.
6. Explain how convention centers are used to generate tourism in a city and how these centers can be funded and managed.
7. Explain the steps involved in tourism planning.
8. Explain why tourism development can lead to political tugs of war.

### CHAPTER OUTLINE

#### Chamber Director Headache #1456

##### Introduction

#### Looking to Tourism for Economic Growth and Vitality

Comparative Advantage  
Tourism and Foreign Exchange Rates

#### The Multiplier Concept

Realizing Tourism's Export Potential  
What Goes Around Comes Around  
Tracking the Impact of Tourism Expenditures  
Economic Impact Analysis

#### Other Economic Impacts

Potential Problems in Tourism-Based Economies  
Tourism in the Economic Balance

#### Tourism and Politics

The Role of Government in Tourism  
Tourism Promotion Agencies

#### Public/Private Organizations

Chambers of Commerce and Convention and  
Visitors Bureaus  
Convention Centers

#### Tourism Planning

#### Political "Tugs of War" over Tourism

#### Summary

#### You Decide

#### NetTour

#### Discussion Questions

#### Applying the Concepts

#### Glossary

#### References

## Chamber Director Headache #1456

Maria Sandoval, Executive Director of the Ocotillo, Arizona, Chamber of Commerce, tossed two extra-strength pain relievers into her mouth and washed them down with the lukewarm remains of her second cup of coffee. This was a day she had been dreading. Today, six advertising agencies were making presentations to the Board of Directors of the Chamber of Commerce in attempts to receive the \$450,000 annual contract for promoting Ocotillo as a tourism destination.

The selection of which six agencies (out of the 45 that had submitted written proposals) had been a political nightmare. Most citizens, businesspeople, and government officials agreed that tourism was an economic engine for the local economy and that the Chamber of Commerce, in its role as development leader, had an obligation to coordinate tourism promotion. However, many locals, including the editor of the *Ocotillo Times*, believed the promotion contract should be granted to a local advertising agency. Maria had received dozens of calls from irate citizens when they learned that four of the six finalist firms were from outside the Ocotillo area.

Maria sympathized with these dissenters. If the agency selection goal was to generate additional jobs, revenue, and tax dollars within the community, it would be easy to understand why folks would feel that local companies should receive the marketing business. But still, if the primary goal was to bring an increasing number of tourists to the region, and get them to stay longer in the area, shouldn't the most capable firm receive the contract, no matter where that firm was located?

Maria sighed and gathered up the proposals from the six finalist advertising agencies, placing them in her briefcase. It was going to be a long day and a tough decision. But that's why they pay me the big bucks; she chuckled, as she hurried off to the meeting.



The tourist resort town, Varadero, Cuba welcomes the world. Photo by Ron Hilliard



## Introduction

How important is tourism to your county or geographic area? What percentage of the jobs available in your city or town is in tourism-related businesses? How much tax revenue is raised through taxes paid by tourists on goods and services they purchase during their visits to your region? Whatever the answers to these questions, the world-wide economic impact of tourism is massive (see Table 11.1). “According to the World Tourism Organization, an important indicator of the role of international tourism is its generation of foreign exchange earnings. Tourism is one of the top five export categories for as many as 83 per cent of countries and is a main source of foreign exchange earning for at least 38 per cent of countries” (p. 2).<sup>1</sup> In addition, research investigating data in 27 nations of the EU from 1988 to 2009 shows that tourism development positively influences economic growth while reducing carbon dioxide emissions.<sup>2</sup>

International travelers are a large and growing segment of tourism consumers. Travel to international destinations has been growing at a rapid pace. However, the popularity of the United States as an international travel destination is interesting, because less money is spent per capita promoting tourism to the United States than in any other industrialized nation. According to tourism industry officials, the United States continues to fall in the top-of-mind awareness among international travelers as lawmakers fail to allocate marketing dollars to attract these visitors.<sup>3</sup> As might be expected, the largest number of visitors to the United States comes from its neighbors to the north, Canada, and the south, Mexico. These countries are followed in numbers of visitors by Japan, Great Britain, Germany, France, and Italy. As can be seen in Table 11.2, Europe is the major international destination region, but Asian destinations are rapidly rising to the top. Even though the United States is a major international destination, citizens of the United States travel less internationally than their counterparts in other industrialized countries.

As we pointed out in Chapter 1, there are several factors that can influence the level of tourism activity. The current growth and importance of travel into Canada and the United States by foreign visitors, especially Asians and Europeans, helps to highlight several of these factors. First, disposable income continues to rise in these industrialized countries. Second, European workers have longer vacation periods than their American counterparts, usually five weeks. Asian workers are now beginning to have more leisure time and disposable income. Third, these travelers are seeking new adventures away from their traditional vacation spots. Fourth, international airfares have become very competitive and are enticing increasing numbers of travelers to head to Canada and the United States.<sup>4</sup> Bring all of these factors together and international tourism receipts in the United States are expected to almost triple between 2000 and 2020.<sup>5</sup>

**Table 11.1** Top Ten in International Tourism Receipts

Rank	Country	Billions (U.S. Dollars)
1	United States	177.2
2	Spain	65.2
3	China	56.9
4	France	55.4
5	Macao (China)	50.8
6	Italy	45.5
7	United Kingdom	45.3
8	Germany	43.3
9	Thailand	38.4
10	Hong Kong (China)	38.4

Source: Based on UNWTO Tourism Highlights (2015).

**Table 11.2** International Tourist Arrivals

Rank	Country	In Millions
1	France	83.7
2	United States	74.8
3	Spain	65.0
4	China	56.6
5	Italy	48.6

Source: Based on UNWTO Tourism Highlights (2015).

These same factors are important for other developed and developing countries and should be considered as plans are made for attracting or maintaining visitors. The level of disposable income, available leisure time, destination attractiveness, relative travel costs, and local exchange rates should be kept in mind as countries seek to attract even more individuals to participate in international travel and tourism activities. Tourism service suppliers are well positioned to be at the forefront of the continually growing experience economy that may well be the future of the service economy. As consumers desire more than simply commoditized services, tourism service suppliers have the opportunity to design their service offerings to be used as a stage to engage customers in events, creating lasting memories, loyalty, and increased revenues.<sup>6</sup> According to the United Nations World Tourism Organization, the number of tourist arrivals is projected to grow on every continent and reach a total of 1.6 billion by the year 2020.<sup>7</sup>

How do researchers arrive at these estimates of tourism activity? They typically take two steps. First, they estimate the number of “arrivals” at a destination (a city, a state/province, a country). Second, they estimate average expenditures per visitor by surveying samples of travelers or through estimates based on hotel and other tourism-related taxes. Then they multiply these two estimates together to arrive at a total amount of tourism spending in the specific destination. You will find that tourism activity estimates vary widely owing to the differences in the methods used to approximate the number of travelers and their expenditures, as well as the different definitions used to determine



France is the number one visitor arrival country. Photo by Cathy Hsu

just who is a tourist. Some agencies define tourists as individuals who travel more than 50 miles away from home, whereas other agencies may use 100 or even 200 miles. Some require that the person stay overnight at his or her destination, whereas others do not. So, when you see statistics like those cited in Tables 11.1 and 11.2 realize that other numbers might be quoted from other sources of information, with the difference in the numbers depending on the different methods and definitions used.

## Looking to Tourism for Economic Growth and Vitality

The people of every country around the world survive or thrive on the income-producing possibilities of the country's resources. Citizens all over the world need income to provide the necessities of life for themselves and their families. Income options may range from subsistence farming to investment banking. More and more countries are finding that the development of tourism offers an effective means of increasing economic well-being. Debate over the appropriate level of tourism development for an area often results in political action by individuals, special-interest groups, and governing officials and bodies. In this chapter, we begin by discussing why and how tourism activities affect the economic vitality of a region. Then, we will look at some of the many ways that politics comes into play to affect and shape the tourism industry.

**Economics** is the “social science that seeks to understand the choices people make in using their scarce resources to meet their wants” (p. 27).<sup>8</sup> For tourists, these scarce resources are money, available time, and the physical energy to travel. A small amount of any of these three resources will decrease tourists' ability to travel, whereas a large amount of these three resources will increase tourists' ability to travel. Scarce resources for promoters and suppliers of tourism businesses are human resources (the availability and quality of tourism service employees) and **financial resources** (the amount of money that the developer can raise by borrowing money or by selling stock). Scarce resources for communities or countries are the amount and variety of their natural resources and the pool of human resources available at differing skill levels. Scarce resources for governments are primarily tax revenues that can be used (1) to develop natural and human resources productively and (2) to pay for the many services that governments can provide their citizens.

### Comparative Advantage

Many towns and cities, states/provinces, even entire nations, have determined that development of their visitor-inducing resources can add to the economic well-being of local residents. Economic decisions are often based on a concept called **comparative advantage**. Tourism can be said to have a comparative advantage over other industries if it yields a better return from the region's human and natural resource inputs than another industry would. Leaders of many communities believe this comparative advantage exists because of the many economic, social, and environmental benefits tourism offers. Let's take a closer look at how comparative advantage might favor tourism development.

## FYI NEW ORLEANS

City officials in New Orleans use an unusual measure to determine the success of the annual Mardi Gras

festival. They look at the additional tons of garbage collected during the

weeklong festivities to estimate the number of visitors to the city!

Tourism may have a comparative advantage over other industries in two ways. First, the region may be especially appealing to tourists because

- it has features that are highly attractive,
- it may be easily accessible to many potential tourists,
- it has the necessary **infrastructure**, and
- it has an abundant labor force to serve in the tourism industry.

In other words, the area may have the necessary ingredients for both the demand and the supply of tourism. Not all destinations are able to achieve this balance, and investment in tourism as an industry is not always an appropriate solution if existing industries in the region begin to falter. One example is when Flint, Michigan, was recovering from the loss of the automobile industry and invested \$80 million to open the AutoWorld theme park in 1984 with the hope that an increase in tourism would stabilize their failing economy. Low-visitation numbers within the first year quickly indicated that Flint did not have the necessary ingredients to be a successful tourism destination and the park was closed.<sup>9</sup>

Second, tourism may also be the best industry to develop if there are no other alternatives. For example, many island economies are based on tourism because these small nations have little else of economic value to offer the world. Its citizens, therefore, are best able to achieve a better standard of living through employment in tourism businesses. Owing to very limited natural resources (other than beauty), the islanders have few, if any, industrial alternatives since almost all supplies and materials must be shipped in. So, tourism has the comparative advantage because the island country is at a comparative disadvantage for all other industries. Since islands have unique natural, cultural, and social attractiveness, tourism development rather than other economic development alternatives has been shown to play an important role in explaining the economic growth of these economies.<sup>10</sup>

## Tourism and Foreign Exchange Rates

One of the most important factors influencing the level of international tourism to a country is the relative **exchange rate** of its currency for other currencies. When international travelers decide to visit a foreign land, they need to trade their currency for the currency of the nation they will visit. For example, if a U.S. citizen were to take a trip to Spain, he or she would need to trade U.S. dollars for the euro. A Spanish traveler would do just the reverse if he decided to visit the United States.

Most currency exchange rates vary daily depending on the supply and demand for each currency. The exchange rate of a nation's currency greatly affects the amount of international tourism that a country will experience. For example, the United States has been a very reasonably priced destination for Australian travelers as the dollar has fallen in value, whereas travel to Australia has become a more expensive destination for United States residents as the Australian dollar has risen in value.

The power of a single currency, such as the euro, can have tremendous impact on tourism expenditures. Three of the five most popular international destinations now use the euro as a common currency. With 28 member states (19 of which use the euro as a common currency) and more potential members, the European Union (E.U.) is the world's largest trading power; and with border crossings now easier for both Europeans and non-Europeans alike, tourism is thriving if the E.U. can work through its economic problems.

## The Multiplier Concept

Why are tourism expenditures important to an area? And just how big a benefit do they have? One of the most common ideas of the economic impact of tourism is called the **multiplier concept**. Money is added to an area when someone from outside its

borders buys a good or service produced within the area. In addition, this new money to the area is re-spent, generating additional value. Tourism is usually a very good source of new money for an area because visitors travel to the area and “leave” their money behind as they buy goods and services during their visit.

## Realizing Tourism’s Export Potential

Let us first focus on the multiplier concept of tourism expenditures from an **export** point of view. An export is defined as a good or service manufactured or provided in one country that is purchased by a person or business from another country. Exports therefore “add” money to one economy and “deduct” money from another economy. Most countries desire international visitors because tourism services sold to foreign travelers are considered exports.

For example, when an Irish businessman travels to Toronto and spends money on restaurant meals, taxicabs, and hotel rooms, some of the money and purchasing power he earned in Ireland becomes part of Canada’s economy. In this way, the tourism receipts from his visit add to the Canadian economy the same way that selling a Canadian manufactured good in Dublin would. Likewise, his tourism expenses represent an **import** in Ireland the same way that a manufactured good does because the traveler’s money left Ireland and was gained by Canada.

Here is a more detailed example of a tourism export. Imagine that an Australian family decides to vacation in California, taking in all the entertainment attractions and recreational activities that it has to offer. They arrive at LAX airport and then spend seven fun-and-sun-filled days experiencing southern California. Think of all the expenses they incur during their weeklong visit: meals, rental car and gasoline, admissions, souvenirs, accommodations, and a host of other services. The family pays for all these services and goods by spending the money they brought with them from Australia to cover all these expenses. This money represents “new” money for the U.S. economy and for California in particular. This exchange is an export for the United States and represents an import for Australia because the family purchased foreign goods and services with their Australian money rather than spending their money at home.

Nowhere are the economic impacts of tourism more evident than in the cruise ports of Caribbean Islands. When two or three large ships disembark 10,000 plus passengers, the island becomes alive. Cruise passengers purchase everything from adventures, cultural activities, and food to high-end jewelry, souvenirs, and T-shirts and fashions.

## What Goes Around Comes Around

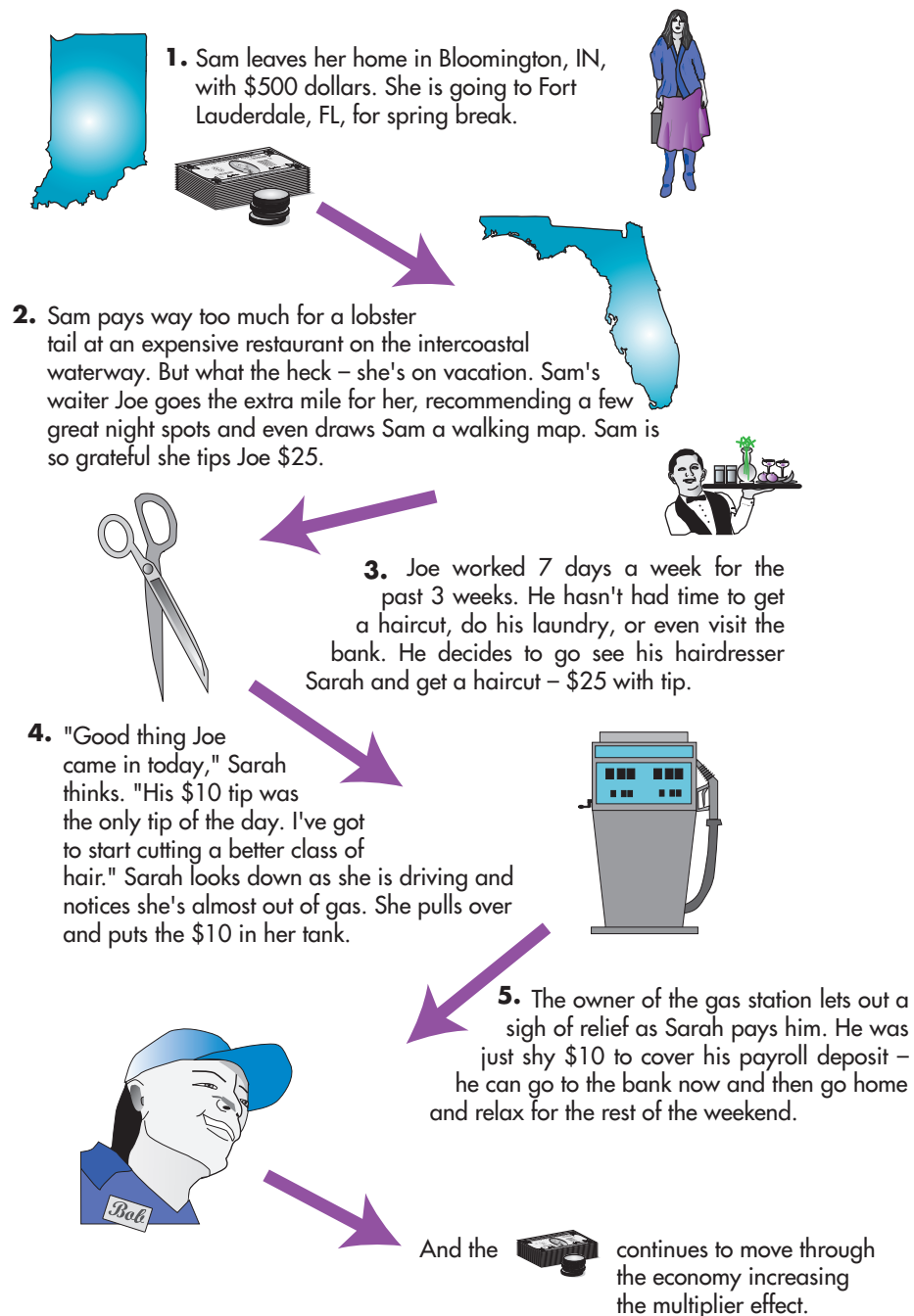
The multiplier concept also applies to domestic travel. Imagine you have a friend, Sam, who goes to college and works in Bloomington, Indiana. Sam decides to spend spring break vacation in Fort Lauderdale, Florida. She takes her hard-earned money and “leaves” it in Florida as she pays for her travel needs there. In other words, the purchasing power Sam earned in the Bloomington economy is transferred to the economy of Fort Lauderdale, and the businesses and citizens there benefit from it (see Figure 11.1).

But how does this money “multiply”? The multiplier effect occurs when some of this new money is re-spent within the local economy. For example, while in Fort Lauderdale, Sam had dinner at a local hot spot, dining, dancing, and having a wonderful evening. Her total bill for the evening of fun came to \$85. The lion’s share of the \$85 she paid was then used to pay Joe, her server, as well as the bartender, the dishwasher, the city’s local taxes (sales, property, and income), the manager’s salary, the local bakery for that delicious bread—you get the idea. In this way, the purchasing power of Sam’s \$85 is multiplied because it then becomes Joe’s purchasing power, which he can use to purchase goods and services he needs. When Joe spends



**FIGURE 11.1**

Multiplier concept.



"Sam's share" of his paycheck on a haircut, Sam's purchasing power multiplies again and now becomes purchasing power to be used by the hairdresser, and so on.

However, all of that new purchasing power that has been added to the Fort Lauderdale economy does not stay in the local economy forever because of **leakage**. Just as Sam took some of her purchasing power from Bloomington to Fort Lauderdale, that purchasing power will eventually leak out of the Fort Lauderdale area. For example, Joe's hairdresser could purchase gasoline for her car. Relatively little of the money she pays for gasoline gets to stay in the local economy, because the gas station owner needs to purchase gasoline produced at a refinery in another state from oil from

another country. The purchase of this import causes the purchasing power to “leak” out of the Fort Lauderdale economy, so it is no longer available for locals to use within the area. The faster the leakage, the lower the output multiplier.

Economists derive multiplier values for a number of important economic variables:

1. Income
2. Employment
3. Output or sales or transactions
4. Government revenue (taxes)
5. Imports<sup>11</sup>

The multiplier effect is the sum of three levels of impact created by tourism purchases. These effects are called *direct*, *indirect*, and *induced* effects. Together they create the total multiplier impact on the area. Direct effects, also called first-round effects, come directly from tourist spending, such as the increase in the number of employees and the amount of wages paid to restaurant employees owing to tourist eating/drinking at the restaurant.

Indirect effects, also called secondary effects, are created from the increase in purchases by tourism suppliers to serve tourist needs, such as the increase in food and beverages purchased from suppliers by a restaurant. Suppliers in turn will need to increase their purchases, and so on. These “ripple effects” are all indirect effects from tourism expenditures.

Induced effects are other increases in economic activity, employment, taxes, and so on generated within the area’s economy at large owing to the existence of tourism. For example, the community will see higher expenditures on health care because of the increased number of residents drawn to the area for employment in the tourism industry.<sup>7</sup>

## Tracking the Impact of Tourism Expenditures

How big or small can this multiplier concept be? Tourism researchers and economists have tried to estimate the tourism multiplier concept for countries, regions, and even cities. For example, Adrian Bull reported that the tourism multiplier concept for Canada is approximately 2.5: For every new dollar injected into the Canadian economy from an international visitor, \$2.50 of purchasing power is generated over time before that original dollar is leaked out through expenditures on imports coming into Canada.<sup>12</sup>

Multipliers are an indicator of the economic independence of a country. The higher the multiplier, the more economically self-sufficient the country. Some countries such as Ireland, Turkey, the United Kingdom, and the United States have multiplier factors of approximately 2 or more. Other countries experience much lower multiplier concepts, for example, 0.8 for the Philippines and 0.7–1.2 for Least Developed Countries and small island states.<sup>8</sup>

Although island countries tend to depend on tourism for economic growth, they also have very quick leakage and, therefore, very low-output multipliers, because almost all goods associated with tourism need to be imported to the area. These imports may be as simple as the food and beverages served to visitors or as complex and costly as the steel to build the hotels. Foreign ownership is another reason why island economies experience high levels of leakage. Transnational corporations (TNCs) are found in many sectors of the tourism industry, and profits are leaked out of a community any time a business (e.g., hotel chain, restaurant chain, rental car chain, etc.) is headquartered outside of the destination. There is a similar case for foreign franchises, and even if the business is locally owned, a portion of the profits will leak out of the community as fees paid to the franchisor.

Determining tourism's impact on an area's economy is not an easy task. It takes a great deal of information collection and highly skilled researchers to undertake the process. Let's look at this task of determining the economic impact of tourism expenditures.

## Economic Impact Analysis

Economic impact analysis is an inexact process, and output numbers should be regarded as a "best guess" rather than as being inviolably accurate. Indeed, if a study were undertaken by five different experts, it is probable that there would be five different results (p. 80).<sup>13</sup>

Much of the government-sponsored research in tourism focuses on the economic impact of tourism to a certain region. These economic impact analysis (EIA) studies are conducted to determine tourism activities' effects on the income and employment of the residents of some region. Usually the studies reflect annual impacts of total tourism visits, but sometimes they are undertaken to measure the effects of visitors on a single entity or event, such as a major zoo or a festival.

On the benefit side, this normally means the study provides estimates of travel spending and the impact of this spending on employment, personal income, business receipts and profits, and government revenue. On the cost side, this means estimating the costs, sometimes nonmonetary, to government and residents of travel activity in the area (p. 359).<sup>4</sup>

The results of EIA studies are useful to:

1. Public policy makers and the area's residents when determining economic benefits of investment in tourism promotion or expansion/development of publicly funded tourism attractions, such as events.
2. Public/private organizations when measuring impact of travel promotion efforts or specific conferences or groups of travelers enticed to visit the area.
3. Tourism industry members in educating the public and government officials of the benefits that the industry offers the community or region.

Fundamentally, EIA research involves counting the number of area visitors and determining how much they spent during their visit, usually using sample surveys (although other estimation methods are used). Tourists are usually counted at border entry/departure points, visitor information (welcome) centers, or accommodation establishments. In the past, the surveys used to query tourists differed from country to country. The World Tourism Organization (UNWTO) published a general questionnaire that can be used by countries (and adapted by other organizations as well) to attempt to generate more consistent data that are more easily compared.<sup>5</sup> Since the 1990s, the UNWTO has encouraged countries and smaller, more local entities to develop Tourism Satellite Accounts (TSA) to track the expenditures and economic impact of travelers to their regions. The purpose of a TSA is to link tourism expenditures spent in the wide array of industries in which they may be made and therefore better enumerate the total amount and impact of tourism.

Although the development of standard questionnaires is a giant step in the collection of expenditure data from tourists, the process is still no easy chore, for either the researcher or the tourist! To demonstrate the daunting task facing the tourist, imagine you have just spent ten days having fun in the Sun in Cancun, Mexico. While you are waiting to board your flight home, a pleasant-looking lady approaches you and asks whether you would take a few minutes to answer some questions about your visit to her country. Because you have nothing better to do, you agree. First she asks you several easy questions: in what country do you live, how many people (including yourself) are

you traveling with, how long have you stayed in Mexico, and what was your reason for traveling to Mexico; but then the questions start to tax your memory and your estimation skills. She asks you how much you spent on transportation within the country; how much on accommodations; how much on food and beverages; how much on souvenirs; how much on activities and attractions. Those are tough questions. At best, you offer decent “ballpark” numbers for your expenditures. But perhaps you are uncomfortable or embarrassed to admit how much you spent on the trip to this stranger and provide her with an estimate that is significantly different than your actual spending.

Asking tourists about their spending is most effective at the very end of their trip. Increased security restrictions for accessing departure lounges at airports are making it harder for researchers to capture tourists at this time. Many researchers are intercepting tourists at other stages during their trip when they are less likely to be able to provide an accurate estimate of their spending. Imagine if you were waiting in line for a tourist attraction on the second day of a five day vacation when you were approached by this same researcher. The amounts you provide about your spending would have to be speculation.

From these scenarios, you can see that statistics you read about average tourism expenditures should not be assumed to be totally accurate. The estimates are only as good as the tourists’ ability to give accurate answers and the researchers’ estimation of total tourism spending based on the answers of sampled tourists. As the saying goes, “garbage in, garbage out,” so the quality of the research depends on the skills of the researcher and the accuracy of tourists’ memories and ability to estimate.

Once total tourism expenditures have been estimated, researchers then try to determine how these monies are re-spent within the regional economy. EIA expert John Crompton lists six ways a tourism dollar spent in a local establishment could be re-spent:

1. Paid to other local businesses for some goods or services (e.g., a local produce farmer)
2. Paid to local-resident employee or owner
3. Paid to local government in form of tax
4. Paid to other business outside of local area (e.g., distant wholesale food distributor)
5. Paid to nonlocal employee or owner
6. Paid to nonlocal government in form of tax (state/province or federal)

The first three ways are called *linkage*, and the latter three are termed *leakage*. The higher the linkages and the lower the leakages within an area economy, the higher will be the total economic impact of tourism to the area. The size of these linkages and leakages are assumptions (a type of “judgment call”) made by the researchers. “As a general rule, a smaller community tends not to have the sectoral interdependencies that facilitate retention of monies spent during the first round of expenditures. Hence, much of the expenditure would be re-spent outside the local region leading to a relatively low local economic multiplier” (p. 22).<sup>6</sup>

## **FYI** DOES TOURISM BENEFIT EVERYONE IN THE COMMUNITY?

As Shanghai celebrated the successful hosting of the most attended (73 million visitors over a 6-month period) World Expo in 2010, Shanghai residents reflected on the impact of the event. Most residents do not feel any economic impact personally, although

they think the event created more jobs and increased the income for those employed in the hospitality and tourism industry. However, those who work in the construction industry are adversely affected because the government halted all construction activities during

the 6-month period to reduce noise and air pollution. The exact overall return on investment on this type of mega event is difficult to estimate due to the scope of impact and potential time lag between return and investment.

The final judgment that needs to be made is a guess concerning the number of rounds of re-spending of the tourism expenditures within the area economy, the multiplier effect we introduced earlier. So, final EIA numbers, on which so many decision makers rely, are only as good as the research method used and the validity of the large number of assumptions researchers use in deriving them.

Now, Shanghai welcomes 94 airlines that connect with 256 cities. In addition, the city welcomes 608 cruise ships each year in Shanghai harbor and witnessed the successful opening of the Disney theme park. Welcoming over eight million domestic travelers each year, there is no question that Shanghai has now developed into a powerful international tourism destination generating enormous returns from the 11% value added tax (VAT) levied on overseas tourists.

## Other Economic Impacts

In addition to the multiplier concept, tourism offers other positive economic benefits. First, tourism can provide stability in an economy. Although recessions affect virtually all industries, tourism historically has seen relatively minor declines in revenue during recessionary times. As we mentioned in Chapter 2, business travel remains relatively constant during changes in economic cycles; and even though people may cut back on the amount they spend on travel during harder economic times, citizens of most industrial nations have come to view vacationing as a necessity of life.

Second, tourism provides economic diversity. A stable economy is one that provides jobs and revenues from a variety of industries. Tourism can be added as another economic engine to the industry mix. Obviously, the addition of any industry to a community will increase the employment opportunities of that community. However, unlike many other industries, tourism provides a wide variety of job possibilities, such as:

1. Entry-level employment for relatively unskilled and semiskilled workers
2. Positions for highly skilled craftspersons, such as chefs and artists
3. Many professional-level career opportunities for well-educated decision makers

Third, tourism often provides the economic incentive to improve infrastructure that can be enjoyed by residents as well as tourists. For example, state-of-the-art airports are built by communities primarily to increase accessibility, thereby enticing more visitors and increasing business activity; but the airport can also be used by locals to meet their travel needs.

Tourism offers a fourth additional positive impact that you may find particularly appealing. Unlike most manufacturing-based enterprises, a tourism business can be started in the form of a small business. In this way, the tourism industry can be used to encourage **entrepreneurial** activity. Have you ever considered developing your own business? Many people today like the idea and challenge of being their own boss. Tourism provides plenty of chances for creative, motivated individuals to start their own businesses. Small retail shops, restaurants, bed-and-breakfast homes, and guide and taxi services are just a few of the many tourism-related small business opportunities.

So, tourism has many economic benefits but, unfortunately, the development of tourism is not without drawbacks. Up to this point, we have been looking at the economics of tourism through rose-colored glasses. Next we will consider some of the not-so-positive economic effects tourism can yield.

## Potential Problems in Tourism-Based Economies

Having a diversified economy means that an area is not overly reliant on any one industry. Consider an agricultural region that faces a drought. A diversified economy allows the area to financially recover faster because other industries will



## FYI NYC WALKING TOURS

Tourism can offer the opportunity to make income from a personal interest or special skill. For example, two Columbia University graduate students developed a business based on their love of urban history. Seth Kamil and Ed

O'Donnell started Big Onion Walking Tours in New York City to earn income to pay for school expenses. Seth's major in urban and ethnic history has really paid off. The company now has a staff of guides with advanced degrees

in American history and related fields. Columbia, CUNY, and Stratford have joined forces with the New York Historical Society to provide guests with the best from these licensed guides.

support the economy even if agriculture fails. Like all industries, tourism has the potential for negative as well as positive impacts. Overdependence on tourism can lead to a dangerous lack of economic diversity, so that a major event affecting tourism can threaten an area's economy. Tourism revenues can be quickly and severely diminished by a variety of crisis events. Five of the most common and influential types of crises are:

1. International war or conflict
2. Acts of terrorism, especially those involving tourists
3. A major criminal act or crime wave, especially against tourists
4. A natural disaster that causes substantial damage to natural resources or tourism infra-or superstructure
5. Epidemics of diseases that are highly contagious<sup>14</sup>

Countries and regions around the globe have felt the economic pain associated with one or more of these events. For Example, Great Britain suffered a substantial decline in tourist volume when foot-and-mouth disease was discovered on British farms. The British government restricted access to many rural areas, including tourist sites, and the media intensely covered moves made to control the spread of the disease. The head of the British Tourist Authority estimated that international tourism to Great Britain dropped by 22% owing to the disease outbreak.<sup>10</sup>

Climate change and political instability can also have harmful effects on economies supported by tourism. For example, both the North American and European markets were severely impacted by volcanic eruptions in Iceland. These initial eruptions in 2010 and subsequent eruptions have caused millions of passengers to be stranded as air traffic was halted for safety purposes. Other unforeseen events such as the economic turmoil in Greece coupled with an influx of refugees due to warfare in the Middle East and terrorist attacks and the threat of war by Russia in Turkey have all dramatically decreased the number of tourist arrivals in these countries. Other wars, weather, disease, and political unrest continue to pose challenges for the tourism industry.

The Caribbean islands are suffering now more than ever because of their tourism-only-based economies. When the cruise industry began to flourish, cruise ships brought thousands of eager spenders to the islands and boosted the economy. However, the trend in the cruise business now is to provide more onboard shopping and recreational opportunities. For example, although cruise passengers to the U.S. Virgin Islands represent 80% of all visitors, they generate only 25% of tourist revenue. Many cruise lines, such as Holland America Cruise Line and the Disney Cruise Line, have even acquired their own private islands where their guests can play. Because these islands are owned by the cruise lines, no local island economy gains much benefit from tourism revenues generated on them.

Finally, as noted previously terrorism and the threat of terrorism can wipe out tourism demand. Witness the devastating impacts that the September 11, 2001,

terrorist attacks on New York City and Washington, D.C., had on the United States and, indeed, the whole world. These attacks on the United States have had the largest and widest effect on tourism since its mass development in the 1950s. The U.S. tourism market was estimated to have declined by 25% at the end of 2001. However, the global impact of these attacks is what sets them apart from previous terrorist actions. Virtually all the world's airlines saw double-digit declines in passenger numbers, which resulted in the worldwide loss of hundreds of thousands, even millions, of jobs in all sectors of the tourism industry and its supplier industries, such as aircraft manufacture.<sup>10</sup> The good news is that, in the aftermath of these attacks, tourism has proven its resilience, and both the number of travelers and the amounts spent on tourism activities have exceeded pre-2001 levels.

Tourism can also highlight too much of a good thing and bring too many visitors to an area. By showcasing the beauty and other tourism resources of an area, tourism marketers can increase the popularity of the area and bring in many more people interested in playing and living there. This increase in demand frequently leads to increased prices for goods and services as well as higher housing and land values. Occasionally, this problem becomes so severe that workers can no longer afford to live near their work. Such an impact has occurred in the beautiful central California beach towns and many mountain towns of the Rocky Mountain states and provinces.

Large increases in the number of tourists to an area usually increase costs of providing services for both the increased number of tourists and the increased number of residents. Services such as police and fire protection can be strained by the numbers of visitors, and school systems can be strained by new residents who decide to move to their favorite travel destination. Utilities, and other infrastructure resources such as roads, can also feel the strain from increases in the numbers of visitors and residents and the development required to serve their needs.

## Tourism in the Economic Balance

Determining whether the total economic impact of tourism will be positive or negative is not an easy task. Many decision makers are turning to **cost-benefit analysis** for help. In cost-benefit analysis, dollar values are assigned to the benefits of tourism (such as increased tax revenues and increased employment opportunities) as well as the costs associated with tourism (such as the increased need for utilities, schools, and police protection). If the value of the positive impacts (the benefits) is greater than the value of the negative impacts (the costs), the total economic impact of tourism is positive. If the costs are larger than the benefits, then tourism may not be the economic engine it is often believed to be. To be as thorough as possible, decision makers have tried to quantify difficult-to-value pluses and minuses (such as increased entertainment options for residents and increased crowding and traffic jams) to include these benefits and costs in the equation.<sup>6</sup>

So, as you can see, tourism can have both positive and negative economic impacts. How, then, are tourism development decisions made and who is involved in the decision-making process? In the next section, we will look at how governments and citizens try to make choices concerning the development and growth of tourism.

## Tourism and Politics

Remember, economics is all about decisions concerning scarce resources. Politics is about how decisions concerning the public are made. In a democratic society, economic decisions that can affect large groups of people are likely to involve some political process. An easy way to define politics is “[P]olitics is about power, who gets what, where, how, and why.”<sup>15</sup>

So, politics is about decision-making: how decisions are made, who is involved in the process, and how decisions are implemented. The politics of tourism is usually about how decisions concerning use of scarce resources are made. In a way, economics is about the *quantity of life*, whereas politics involves debates over the *quality of life*.

Often, decision-making about promoting and developing tourism does not happen through a rational decision-making process in which all interested parties have a chance to voice their opinions or vote for their favorite alternatives. Frequently, the most influential “players” in tourism are outsiders—developers from other areas, even other countries, who see profit opportunities from developing tourism-related businesses. Development of tourism in an area frequently leads to heated political debates over the benefits and costs of tourism, creating political tugs of war among constituent groups (covered later in the chapter).

## The Role of Government in Tourism

Governments, from the local to the national level, can and often do play an important role in tourism development. Why do governments devote scarce funds to the promotion and development of tourism? As we discussed in the first half of the chapter, tourism can provide many economic benefits. First, a wide variety of jobs are created through the development of the hotels, restaurants, retail shops, and other facilities and services required to satisfy the needs of travelers. Second, additional jobs are generated to serve the needs of the employees of the tourism industry. These jobholders earn wages that, in turn, are re-spent in the local economy, creating the multiplier concept. Third, and may be most important from a government perspective, revenues are boosted by taxing the goods and services that visitors buy. Taxing visitor shifts a portion of the tax burden from local residents to tourists (see Table 11.3). As can be seen in this table, auto rental companies have become especially concerned about what they consider to be “hidden taxes,” because cities, counties, and states have frequently added additional taxes to rental agreements to fund projects from building major league stadiums to subsidizing operating budgets.

For example, the small country of Monaco receives virtually all of its tax revenues from taxes paid by tourists, primarily through Monaco’s famous gaming casinos.<sup>16</sup> The same is true for the city of Macao where the government receives about 85% of its revenue from gaming taxes.<sup>17</sup> Communities and other governmental units commonly tax hotel rooms, restaurant meals, and gasoline, and often add **passenger facility charges**

**Table 11.3** Examples of Tourism-Related Taxes

City	Hotel/Lodging Tax (%)	Restaurant Tax (%)	Gasoline Tax per Gallon (\$)	Base Tax Rate (%)	Auto Rental	
					Dollar Surcharge (\$)	Off Airport Fees (%)
Baltimore	8.00	5.00	0.419	11.50	6.00	
Chicago	14.90	9.25	0.573	18.00	10.00	
Houston	17.0	8.25	0.384	15.00	3.00	8.15
San Francisco	14.00	8.50	0.67	8.65		7.00
New York	13.25	8.75	0.674	13.25	18.00–21.00	
Miami	12.50	8.50	0.534	6.9		9.00
Seattle	15.6	8.90	0.559	18.3	3.00	10.00
Washington, D.C.	14.50	10.00	0.419	8.0	6.00	10.00

*Note:* Although many in the tourism industry believe these tax revenues should be used for travel/tourism programs, much of it goes directly to the general fund or to programs unrelated to travel. Airline taxes collected from travelers are significant revenue sources for the federal government. Consumers pay a 10% federal air ticket tax on each airline ticket sold in the United States. Additionally, many airports impose a passenger facility charge (PFC).

## FYI GREEN BAY

Did you know that the citizens of Green Bay, Wisconsin, own the National Football League team the Green Bay Packers? November, December, and January are not prime

tourism months in Wisconsin, but professional football games, practice events, and other events held at the Packers' home, Lambeau Field, generate over \$12 million in economic

benefits for Green Bay. Unlike so many other teams, the Packers won't be leaving their city for greener pastures!

on departing flights from the local airport. These tax revenues can then be used to further develop and promote tourism or, as is common, to improve the quality of life by funding services for local citizens.

National and state/provincial governments can support tourism development by performing many activities. These can include the collection of tourism information, regulation of tourism-related businesses such as airlines, international promotion of tourism, encouragement of development of tourist areas (especially by funding infrastructure or providing government-backed loans), and development of tourism **policy**. In a bid to reshape its economy, the government of Taiwan is shifting its development efforts away from manufacturing to tourism. Its "Challenge 2008" plan, backed by \$75 billion in financing, is designed to double the number of tourists visiting the country.<sup>18</sup> Its subsequent implementation of the "Taiwan's 2015–2018 Tourism Action Plan" includes tourism product integration and marketing, manpower optimization, application of smart tourism, and promotion of green and caring travel. The government plans to welcome the 11.2 million international visitors to Taiwan in 2017.<sup>19</sup>

In some countries, the national government actually takes part in the tourism industry through government ownership of certain businesses such as hotel chains, tour companies, and airlines. In the United States and Canada, government agencies are an integral part of the management of a valuable tourism resource—the national park systems. However, more and more national governments are getting out of the tourism businesses through **privatization** and limiting their roles to tourism promotion and regulation. For example, in the mid-1980s, the government of New Zealand owned hotels, tour companies, and the national airline. Since then, the New Zealand government has privatized virtually all of these tourism enterprises.

Governments can also aid tourism development by financing necessary infrastructure such as roads and airports and by offering government-backed low-interest loans to private developers who develop **superstructure** facilities. For example, travelers are often surprised to learn that they must pay a departure tax in many locations to fund airport operations and improvements. In other instances, many local governments, aided through state funds, have attempted to revitalize inner-city areas and turn them into leisure, entertainment, and shopping meccas. Local governments can also sponsor "hallmark tourist events" such as the Super Bowl or a World's Fair to generate increased visits and gain publicity for the region that can pay off in the future.

Think of the international awareness that is gained by cities and countries when they host Olympic Games! Bidding for the Olympics is an expensive and competitive endeavor and often considered an investment for tourism in the host country by gaining the opportunity to showcase its cultural and natural resources. The estimated cost of the Sochi Olympics in 2014 is \$51 billion.<sup>20</sup> Many questions whether such an expense was a good use of funds and whether it is likely to see a return on the investment for future tourism in Sochi. Still, countries see mega-events as an investment in tourism and continue to compete to host the Olympic Games. For example, the Japanese government has set a goal to achieve 20 million visitors by the time Tokyo hosts the Summer Olympics in 2020.<sup>21</sup>

## TOURISM IN ACTION

### TOURISM POLICY

Although by no means universal, some governments (national, state/provincial, or local) formulate a **tourism policy** to aid in guiding the development of a sustainable tourism industry in their jurisdiction. A formal statement of tourism policy serves as a “master plan” that lists the parameters for development and stewardship of tourism resources within the region. Specifically, a tourism policy has the following features:

- It is written at the macro level and offers a long-term perspective.
- It delineates the critical resources needed to develop and sustain tourism in the area.
- It explains the relationship of tourism components to the greater societal and economic systems of the region.
- It outlines the information inputs that will be needed for decision-making.

The tourism policy should provide a **destination vision**, which is defined as an “inspirational portrait of the ideal future that the destination hopes to bring about in some defined future (usually 5, 10, 20, or 50 years)” (p. 154). From this vision, tourism decision makers can formulate a destination image to strive for, both by developing resources and via marketing efforts.

Source: Ritchie, J. R. B., and Crouch, G. I. (2011). A model of destination competitiveness and sustainability. *Destination Marketing and Management: Theories and Applications*, 326.

## Tourism Promotion Agencies

Many governments have an agency that is charged with promoting tourism. At the national level, this agency is called a “national tourism organization/office,” or the NTO. National and state/provincial governments fund such offices to fulfill two primary functions. First, the government agency collects visitor and industry information that can be used by tourism businesses to become more successful and grow, employing more citizens and generating more tax revenues. Visitor information is often gathered at welcome centers run by states, provinces, cities, and towns. Second, government agencies promote entire areas as destinations. Tourism businesspeople are usually unable or unwilling to fund advertising that does not expressly sell their individual businesses. But we know that tourists are first sold on a destination area and then look to buy specific services to fulfill particular travel needs, such as hotel accommodations, restaurant meals, guide services, and so forth. So, national and state/provincial governments engage in destination marketing through **destination marketing organizations (DMOs)** to generate sizable numbers of tourists. Individual tourism-related businesses are rarely able to afford marketing campaigns large enough to create a distinctive destination image. Research has shown that successful DMOs all exhibited a focus on the same following characteristics: effective communications with all suppliers; collaborative partnerships in marketing efforts, research, and sales; effective relationship management with all stakeholders; attention to strategic planning activities; organizational focus and drive; proper public and private funding; and attracting and retaining quality personnel.<sup>22</sup>

**Destination image** is simply the detailed impression an individual or target segment has of a specific destination. This impression is composed of three parts. The first, called *cognition*, is the sum of all that the potential traveler knows and believes about the destination. These bits of information and beliefs may be from past experience with the destination or may have been acquired through a variety of information sources, from word of mouth from friends to magazine articles to movie settings. The second part of the destination image impression, called *affect*, represents the consumer’s feelings—favorable, unfavorable, or neutral—about the destination. From these two components of impression comes the third, called *conation*. Conation is the likelihood of the potential traveler to visit the destination in the near future.<sup>23</sup>



Closely related to destination image is the concept of a destination's positioning. Whereas a destination's image can be described by itself, a destination's positioning relates the image of one destination to those of its competitors. So, destination positioning is all relative. Through consumer research on the amount of important attributes that make up a destination's image and then "mapping" of a destination with its likely competitors, decision makers can see how their destination "stacks up." Destination positioning is a strategic tool used to "reinforce positive images, correct negative images, or create a new image" for a destination (p. 334).<sup>16</sup> Once the position is determined, an ideal position can be decided and then tactics can be developed to move the destination's image to the new, improved position. Tourists make the decision about where to travel after narrowing down all of their options. The process of destination selection is a series of stages where possible vacation spots are eliminated based on the tourists' awareness and preference.<sup>24</sup> Tourism promotion agencies use positioning as a way to encourage awareness and preference for their own destination to successfully compete with similar destinations.

## Public/Private Organizations

Decisions concerning tourism promotion are complicated and raise many questions. Should more be spent on leisure travelers, or should the bulk of funds be spent trying to attract conferences and other meetings to the area? Should a mass-marketing strategy be used, trying to attract any and all comers to the area, or should segmentation and targeting be used to attract a specific group? In addition, organizations need to determine how much money should be spent on attracting tourists from their own region, from outside their region, and from outside the country.

A common way for tourism promotion and development decisions to be made and funded is through **public/private organizations** or partnerships. A public/private partnership is an organization whose members include government officials as well as private citizens. A tourism-related public/private organization usually has a membership composed of local or state government officials, tourism business owners and managers, and local citizens. These partnerships are being used more and more to fund the promotion and development of tourism. Often, the government partner funds infrastructure improvements; the private enterprise partners fund the superstructure (often with the help of tax incentives); and then together the government and private business partners fund tourism promotion through contributions and the collection of special tourism-related taxes, such as a room tax.<sup>25</sup>

## Chambers of Commerce and Convention and Visitors Bureaus

Two common examples of local public/private tourism promotion organizations are chambers of commerce and **convention and visitors bureaus**. As suggested in the chapter opener, in smaller communities, chambers of commerce often perform the tourism promotion role (as well as many other economic and business developmental roles). Frequently, as communities grow, the tourism promotion role is conducted through a special organization called a convention and visitors bureau. In very large cities, Chicago, for example, responsibility for attracting tourists is further divided. Promotion to leisure travelers rests with the Chicago Office of Tourism, whereas attracting professional travelers is the concern of the Chicago Convention and Tourism Bureau. A priority of all of these types of organizations is literally to put their area on the map by educating prospective visitors and meeting planners about the destination.

## Convention Centers

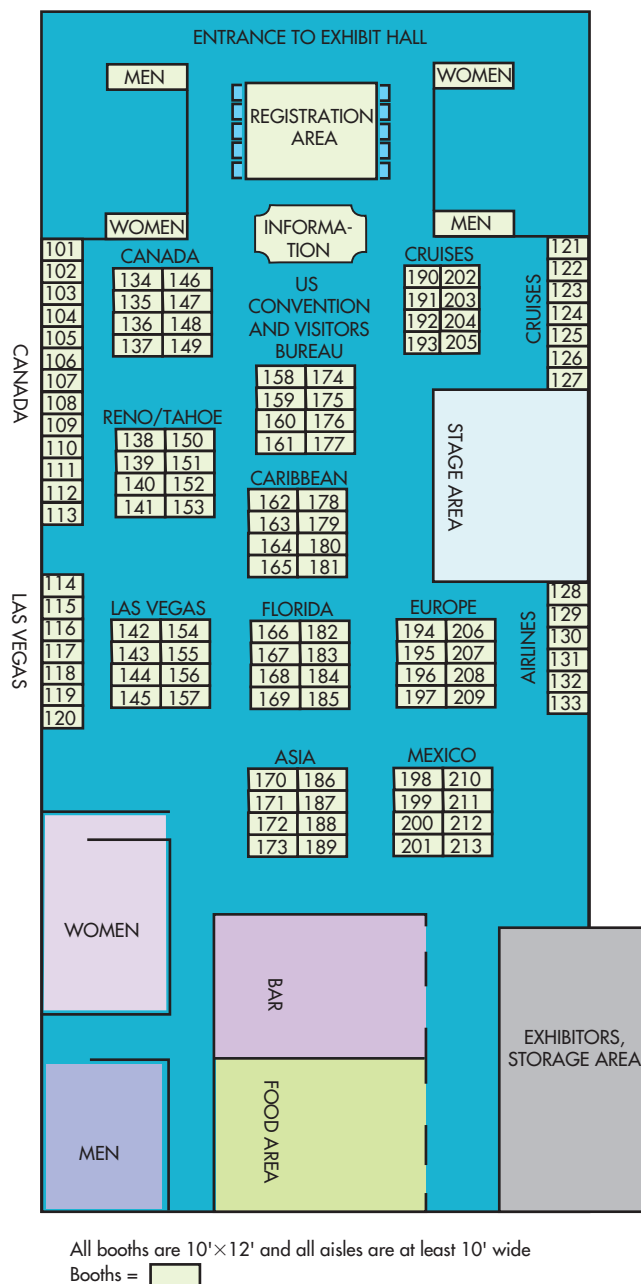
**Convention centers** are also frequently public/private organizations. An increasing number of cities worldwide have been developing and renovating convention center

facilities to attract the professional traveler segment of tourism. As you learned in Chapter 2, a major portion of the professional traveler segment involves meetings. This “meetings” market is composed of two sub-segments: conventions and exhibitions (trade shows). Convention centers are designed to serve the special needs of conventions and exhibitions, and range from tiny facilities that are little more than a single large room to immense complexes that can hold tens of thousands of conventioners (see Figure 11.2).

Cities continue to engage in a “space race” with more and more cities expanding or building centers, trying to edge each other out to be the biggest and newest. Nowhere is this growth more evident than in China, where there was only one large convention center in 1992 with 50,000 square meters of space (538,196 square feet), but by

**FIGURE 11.2**

Example of a trade show layout.



**Table 11.4** A Sample of Large Convention Facilities

Site/Location	Total Meeting/Exhibition Space (in millions of square feet)
Las Vegas Convention Center, Las Vegas, NV	10
Georgia World Congress Center, Atlanta, GA	3.9
McCormick Place, Chicago, IL	3.1
Shanghai New International EXPO Center, Shanghai, China	3.5
Beijing International Convention Center, Beijing, China	2.3
Orange County Convention Center, Orlando, FL	2.1
The Venetian, Las Vegas, NV	1.9
Berlin Exhibition Grounds, Berlin, Germany	1.7

*Note:* Space estimates approximated from information obtained from the website of each convention center.

2003, there were 16 with 1,288,000 square meters of space (13,863,917 square feet).<sup>26</sup> Beijing and Shanghai now boast convention centers of 220,000 and 364,000 square meters (2,368,000 and 3,918,063 square feet), respectively.<sup>27</sup> Shanghai, Beijing, and Guangzhou are the three largest exhibition cities in China, each hosting several hundred exhibitions annually.<sup>28</sup> The reason for this convention center building frenzy? Lots of revenues and some bragging rights too! See Table 11.4 for a sample of other large convention facilities.

Marketing to attract convention and exhibition business is very different from efforts used to entice leisure travelers. Single decision makers or, more commonly, a small committee of decision makers, decides where to locate their group's convention, meeting, or exhibition. This decision process usually begins years before the event takes place, requiring the coordination of many tourism-related businesses in developing a proposal presented to the site selection committee. Key determinants for these



*Due to increasing demand, the Hong Kong Convention and Exhibition Center was expanded to handle larger crowds. Photo by Thomas Sun*

site decisions are price, size, and quality of facilities, and a wide variety of amenities or add-ons that will likely encourage prospective attendees to sign up for the convention or trade show. Convention centers need a staff of knowledgeable and efficient people to sell the center and ensure that conventioners/trade show participants are satisfied with their experience and will return in some future year.

Convention centers are funded and managed in a variety of ways. Some are funded and managed by local governments. Some are public/private **joint ventures**, whereas others are completely financed and managed as nonprofit private associations of tourism-related businesses. Often, the convention center facilities are built with public money, usually a combination of city and state funds. The annual marketing and operating costs are covered through tourism-related taxes, membership fees, and revenues generated directly from services provided at the center and sold to attendees. But most centers lose money.

## Tourism Planning

Another major function of government and **nonprofit tourism associations** is **tourism planning**. Planning involves predicting the future, setting **objectives** to attain future outcomes, and then outlining and implementing the actions needed to attain these objectives. You now realize that tourism is a conglomeration of many industries and needs the coordination of a wide variety of enterprises and agencies to thrive. However, because so many organizations are involved in the industry, planning is not easy.

Tourism planning is a continuous process and involves many steps to develop and sustain tourism revenues. A wide variety of decisions must be made, including the timing of development, size of the infrastructure and the superstructure, targeting of promotional campaigns, and efforts to enhance and preserve attraction resources. In addition, plans must include studies of the increased burdens on resources such as water, roads, and police and fire protection, and how the strains on these resources can be met or minimized. Table 11.5 provides a list of the steps that must be included in a comprehensive tourism plan.

Usually, tourism planning rests with a government agency, typically at the state/provincial and local levels, although many countries have strong national organizations as well. Government agencies are often charged with conducting research and making predictions concerning likely tourism industry trends. Based on research results, plans can be drawn up to achieve the desired level of tourism activity to maximize benefits and minimize the costs that can occur.

A tourism planning organization, whether at the national, state/provincial, or local level, needs to modify and refine its plan continually. First, research to learn the changing trends in market segments needs to be conducted regularly, along with studying emerging economic impacts of tourism (both positive and negative). Second, planners must constantly gain and enhance the cooperation of the industry sectors to ensure effective promotion and delivery of high-quality tourism services to visitors. Third, planners need to determine whether changes in priorities for tourism marketing are needed. For example, research may show that the area has successfully developed the domestic tourism market and now should start developing international promotion campaigns; or may be the idea of hosting a hallmark event, such as a World's Fair or Olympic Games, should be seriously considered. Last, but certainly not least, planners need to monitor and preserve the very resources that attracted visitors in the first place. Often, these resources are fragile natural or heritage sites, so plans must include ways to protect them from erosion and harm so that they are preserved for future enjoyment.

**Table 11.5** Phases in the Tourism Policy and Planning Process

Phase 1: Definitional phase
Definition of the tourism destination system (geographical boundaries and the stakeholder groups and their relationships)
Specification of the tourism destination philosophy (the values to be followed)
Crafting of a destination vision
Specification of objectives and constraints
Phase 2: Analytical phase
Internal analysis (review of existing policies and programs, resources)
External analysis (analysis of current and future demand, competition, and promotion)
Phase 3: Operational phase
Strategy determination
Predictions regarding future demand and competitive environment
Policy and program recommendations
Phase 4: Implementation phase
Strategy for development, promotion, and stewardship
Assignment of responsibilities for tactical implementation
Identification of funding sources
Specification of timing of tactics

Source: Adapted from Ritchie, J. R. B., and Crouch, G. I. (2003). *The Competitive Destination*. Wallingford: CABI Publishing.

A fine example of tourism planning is the Banff National Park Management Plan. The plan started with a vision statement that provided direction for the preparation of a detailed plan that will guide decision-making about development and operations in the Canadian park for the foreseeable future.<sup>29</sup>

## Political “Tugs of War” Over Tourism

Under “Tourism and Politics,” we defined politics as power and about who gets what. Whenever a finite amount of resources, especially financial resources, needs to be allocated, there will always be tugs of war among providers and users of these resources. In politics, groups with common needs or wants are called **constituent groups**. In the world of tourism, these constituent groups include:

- Tourism business owners
- Employees of tourism businesses
- Other business owners/managers/employees
- Government officials
- Government employees
- Taxpayers
- Local community/region citizens
- Tourists

Each of these constituent groups has its own set of priorities concerning how resources, especially tax dollars, should be used. In addition, these groups also have differences in opinion concerning issues such as the quality of life. For example, some people believe jobs and higher incomes (quantity of life) are the basis for attaining quality of life for citizens, whereas others believe environmental and cultural aspects are equally or even more important.



Tourism business owners want the number of tourists traveling to their area to increase so that their investments generate more income and profits. Employees of these businesses want secure employment with fair wages and safe working conditions. Business owners, managers, and employees in other industries want the continued growth and success of their businesses. Government officials want strong economies and to be reelected, whereas government employees want job security and good wages. Taxpayers want a wide variety of government services and a bearable tax burden. Local residents want a clean, safe community with a high quality of life. Tourists want enjoyable and safe places to visit that offer a full range of services to meet their travel needs.

Unfortunately, with all of these differing objectives, it is difficult for decision makers to please all constituents. Frequently, a decision for the benefit of one group is often seen as negative by another group. Local taxpayers may welcome the tax revenues generated by visitors to the area but then fight additional tourism development because it would change the landscape of the region and add to the industrialization of the community. Tourism business owners strongly support the promotion of their industry by governments, but owners of businesses in other industries often believe that their industry should receive equal government support. Rarely is there enough tax revenue to promote all industries, so priorities must be established. Determining priorities is where the political tug of war among constituent groups occurs.

You may live now (or have lived) in an area that has experienced a tourism development political battle. We hope you now have a better understanding of the economic and political impacts of tourism development and promotion and how different perspectives can lead to debate. The words of tourism writer Uel Blank may give some food for thought concerning tourism development: “Citizens’ rights to enjoy amenities of lakes, cities, and facilities away from home carry with them the responsibility to also share local amenities with travelers from elsewhere.”<sup>30</sup>

## Summary

Economics and politics are forever linked, and the economics and politics of tourism are no exception to that rule. The use of scarce resources by the tourism industry can lead to a variety of positive economic impacts, as well as some not-so-positive effects. Virtually everyone has an opinion about tourism, and the process of deciding the role tourism will play in the economic development of an area gives rise to a great deal of political debate.

As you learned in this chapter, the tourism industry is often used to bring added economic vitality to an area and frequently has a comparative advantage over other development alternatives. A primary reason for tourism’s popularity as an industry is its ability to generate new money for a region, especially in the form of exports.

Tourism revenues enter an economy and then are re-spent creating additional revenues until the added money finally leaves the economy through leakage—money spent on imports to the area. This increased economic activity is called the “multiplier concept,” and its size depends on the amount of imports a region needs to utilize to provide goods and services for visitors and residents alike.

Even though tourism adds diversity and stability to an economy and provides a wide variety of employment, busi-

ness opportunities, and increased tax revenues, it is not without its costs. Large numbers of visitors strain utilities, public services, and natural resources. Often, these tourists also put upward pressure on prices, which increases the cost of living for local citizens. Researchers use cost-benefit analysis to try to determine whether, all things considered, tourism brings substantial economic gain to an area.

Given the importance of the tourism industry to most countries, states/provinces, and cities governments often become involved in tourism development. The most common role for government is collection of data on tourist activity and promotion of the area as a destination. A recent trend is for government and private tourism associations to join together to help sustain and increase the tourism industry. Building and promotion of convention centers are just one function of these public/private organizations.

A continuing challenge for government officials and tourism industry members will be to balance the special interests of constituent groups who have conflicting opinions concerning the development of tourism that lead to political tugs of war. Tourism, like any industry, has benefits and costs, and these impacts will always be viewed and prioritized differently by different members of communities.

## You Decide

The following two letters to the editor appeared in a resort town's newspaper.

To the Editor:

Summer is approaching again and, as in every year, I am dreading it. By the middle of June, our town will be inundated with tourists. The price of gasoline will jump and all of the "local appreciation" specials at restaurants will disappear. The traffic jams will start and the number of car accidents will escalate. All of the stores and restaurants will be mobbed and service will suffer. And forget trying to park downtown. All the spaces will be filled by out-of-state cars. Our policemen will find it harder to protect us because they will have all of these "foreigners" to watch. And our fire departments will begin their annual campaign against forest fires started by careless transients. And now our chamber of commerce wants us to celebrate tourism and be extra nice to the "guests" to our area?

Frankly, I am sick and tired of some of my state tax dollars (and I'll bet some of my local taxes, too!) going to promote our state as a tourism destination! All these new people in the area just serve to increase my taxes in order to pay for the increased costs they lead to! Enough is

enough already. This area is losing its small-town feel and its small-town security. Why should we pay to decrease the quality of life of our community?

Signed, Jack Smith

To the Editor:

After reading the letter from Jack Smith, who sees only the negatives of tourists to our community, I felt compelled to respond. Without these "foreigners" that he decries, he may not even be able to live here. Many of us, either directly or indirectly, owe our livelihood to the money that tourists spend here every year. And, contrary to Mr. Smith's opinion, the tourists to our town and state actually reduce our taxes by paying taxes on the goods and services they purchase here.

In addition, do the people of this town think we locals by ourselves could support the number of restaurants and shops we have, let alone the jet-capable airport we enjoy? Instead of cursing out tourists, we should smile, wave, and thank our lucky stars that we get to live where they can only visit.

Signed, Linda Jones

With which letter do you agree? Why?

## Net Tour

To get you started on exploring Internet links for this chapter, please see

[www.world-tourism.org](http://www.world-tourism.org)

[www.ustravel.org](http://www.ustravel.org)

[www.occc.net](http://www.occc.net)

[www.oanda.com/convert/classic](http://www.oanda.com/convert/classic)

[www.etc-corporate.org/index.php](http://www.etc-corporate.org/index.php)

[www.wttc.org/](http://www.wttc.org/)

[www.tinet.ita.doc.gov/research/programs/satellite/index.html](http://www.tinet.ita.doc.gov/research/programs/satellite/index.html)

[www.iacconline.org/](http://www.iacconline.org/)

[www.iccaworld.com/](http://www.iccaworld.com/)

[www.cnccchina.com/en/](http://www.cnccchina.com/en/)

[www.travelcoalition.org/](http://www.travelcoalition.org/)

[www.poweroftravel.org/](http://www.poweroftravel.org/)

[www.destinationmarketing.org](http://www.destinationmarketing.org)

## Discussion Questions

1. In what ways can tourism benefit the economy of an area?
2. Why are tourism receipts from international visitors considered exports?
3. How does the multiplier concept work? Why do island countries have small tourism multipliers?
4. What are some of the negative effects that can come from tourism development?
5. What are the various roles that governments can play in supporting the tourism industry?
6. How do convention centers add to the economic activity of an area? How can they be funded and managed?
7. What steps are needed to develop a tourism plan?
8. Why can political tugs of war arise over decisions concerning tourism development?

## Applying the Concepts

1. Look at Tables 11.1 and 11.2. Why are these countries top in international tourism receipts and arrivals? In other words, what is it about these countries that enable them to attract so much international tourism?
2. Visit a chamber of commerce, convention and visitors bureau, or a state welcome center in your area. Interview one of the managers about the visitor friendliness of your city/town using the FYI visitor-friendliness test as your discussion guide.
3. Research the taxes that are added to visitor services in your city/town and your state/province. How do they compare with the examples provided in Table 11.3?

4. Interview members of three different constituent groups and identify similarities and differences regarding their opinions of tourism development in a community.
5. Based on interviews with tourism promotion agency personnel, library and online searches, and your exposure to the mass media, provide a list of marketing activities performed to promote your community.
6. Based on currency exchange rate changes, which countries would be less expensive to visit now than 5 years ago? You may want to track the exchange rates between your currency and several other currencies over the past 5-year period and identify three countries.

## Glossary

- Comparative advantage** The benefits of one alternative relative to another.
- Constituent groups** Subgroups of citizens with a set of common needs or wants.
- Convention and visitors bureau** An organization whose mission is to develop tourism to an area by attracting both professional and leisure travelers.
- Convention center** A property developed to serve the special needs of groups, especially regarding meetings and trade shows.
- Cost–benefit analysis** A method used to determine the relative impact of a development, in which total costs and total benefits are estimated and then compared.
- Destination image** The detailed impression an individual or target segment has of a specific destination.
- Destination marketing organizations (DMOs)** Organizations that are dedicated to promoting tourism activities in a town, city, county, province, or region.
- Destination vision** An inspirational portrait of the ideal future that the destination hopes to bring about at some defined future time (usually in 5, 10, 20, or 50 years).
- Economics** The study of the choices people make in using scarce resources to meet needs.
- Entrepreneurial** Assuming the risks of a personally owned business.
- Exchange rate** The number of units of one currency necessary to be exchanged to obtain a unit of another currency; for example, 121 Japanese yen for U.S. \$1.00.
- Export** A good or service produced in one country and purchased by a resident of another country; the opposite of “import.”
- Financial resources** The amount of money available for a given project through the use of debt and equity.
- Import** A good or service purchased in one country but produced in another country; the opposite of “export.”
- Infrastructure** The foundation utilities and other systems necessary for an economy, such as roads, electricity, and water and sewage systems.
- Joint venture** Combined efforts of two or more partners, usually organizations.
- Leakage** Purchasing power that is spent on imports to an area, resulting in a transfer of income out of the local economy.
- Multiplier concept** The additional economic activity that results when money is spent and re-spent in a region on the purchase of local goods and services.
- Nonprofit tourism association** An organization that exists to support the tourism industry of an area and often promotes the area as a destination.
- Objective** A specific target for which measurable results can be obtained.
- Passenger facility charge** A charge added to airline tickets for enplanement. The monies collected are to be used for airport improvements.
- Policy** A general statement that provides direction for individuals within an organization.
- Privatization** The action of converting a government-owned business to private ownership.
- Public/private organizations** Organizations made up of private and public members, usually to coordinate efforts between government and private businesses.
- Superstructure** The facilities needed to serve the specific needs of tourists, such as hotels, restaurants, and attractions.
- Tourism planning** A continual process of research-and-development decisions to create and sustain tourism in a region.
- Tourism policy** A master plan formulated by a government (national, state/provincial, local) to aid in guiding the development of sustainable tourism industries within its jurisdiction.

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# CHAPTER 12

## Environmental and Social/Cultural Impacts of Tourism

*[T]he long-term viability of the [tourism] industry in any location depends on maintaining its natural, cultural, and historical attraction.*

—EDWARD MANNING/T. DAVID DOUGHERTY

### LEARNING OBJECTIVES

**After you have read this chapter, you should be able to:**

1. Describe how tourism can aid the preservation of nature as well as harm it.
2. Describe how tourism can benefit or undermine cultural preservation.
3. Describe the impact of tourism activities on host community resources.
4. Explain the factors that determine an area's carrying capacity.
5. Explain how carrying capacities are determined.
6. Describe the positive and negative impacts tourism can have on societies and cultures.
7. Identify the potential unintended consequences of tourism.

### CHAPTER OUTLINE

#### Reflecting on the Future

##### Introduction

- Tourism and the Environment
- Defining Carrying Capacity
- Determining Carrying Capacities

##### Environmental Impacts of Tourism

##### Social and Cultural Impacts of Tourism

- Host Community
- Social and Cultural Benefits of Tourism
- Using Culture to Attract Tourists

##### Unintended Consequences of Tourism on Culture

- The Demonstration Effect

- A Dark Side to Tourism's Promise of Economic Benefits

- External Influences and Internal Problems

##### Summary

##### You Decide

##### Net Tour

##### Discussion Questions

##### Applying the Concepts

##### Glossary

##### References



## Reflecting on the Future

As the Sun set slowly in the western sky, the tribal council paused in its discussion to take in the beauty of the moment. This was not the first day of their discussions and it surely would not be the last. A decision to move forward could create changes that could never be reversed.

Some of the younger tribal members had brought up the idea of developing a golf, tennis, and ski resort in the heart of the reservation. The area would be perfect—great views, optimal weather conditions, and easy access from several large metropolitan areas. There was even talk of adding a casino to the mix and creating a series of activities and events with year-round appeal.

Development of any of these ideas sounded exciting to some tribal council members because of the variety of jobs that would be created, but there were other concerns. The tribal council was familiar with the economic benefits of tourism because the tribe already operated a motel and other small-scale attractions to encourage visitors to the reservation. However, extensive tourism development was a completely different story. Questions were raised about how many new visitors would be attracted and what effects these additional visitors would have on the natural environment and the cultural traditions that tribal members cherished.

The lands of the reservation were fragile and untouched in an environmental sense. Development would require extensive improvements to the current reservation infrastructure to support more visitors. Some members of the council believed that an influx of tourists would forever damage the lands on which a hundred generations had lived. Other members expressed dismay about allowing tens of thousands of outsiders into the heart of the reservation. Would these outsiders show respect for the ways of the tribe? Could the tribe keep visitors out of the sacred areas, or would four-wheel-drive vehicles be racing everywhere, ignoring any restrictions the tribe might impose?

As the council members settled back into their discussions, they reached one decision. Before a final conclusion was made on the matter, they would need a professional analysis of the potential environmental and social/cultural impacts of each alternative.



*Italy uses the nostalgia of the Roman Empire to attract tourists.* Photo by Thomas Sun

## Introduction

In the previous chapter, you learned about tourism's many economic and political impacts. Historically, decision-making was focused on the financial impacts of tourism in what is considered the singular bottom line of profit. However, while reading Chapter 11, as well as many of the other chapters, you may have thought of other benefits and problems that tourism can bring particularly to the natural resources and the local residents. The success of tourism is now evaluated on the **triple bottom line**, so that destinations not only focus on economic aspects of tourism, but also make decisions to maximize positive impacts and minimize negative impacts on the environment and the people who live there. For example, in Chapter 10, we considered the range of commercialization that exists at different types of resort locations. These developments may have been planned or they may have just happened. No matter if it is a destination or just a stop along the road, tourists and the activities they undertake have the potential of impacting the environment, social fabric, and cultural foundations both positively and negatively anywhere they travel.

But what impact does commercial development, no matter how extensive or how limited, have on the cultural, social, and natural environment? Can the attractiveness of an area that drew tourists in the first place be preserved when tourism development occurs? How are residents affected by the creation and growth of tourism in their area? Will the presence of tourism activities improve, maintain, or destroy the culture and environment that attracts tourists? Should we even be concerned that tourism can create change?

As the chapter opener suggests, the economic impacts of tourism are not the only important impacts that must be considered when tourism development is proposed. Effects on nature, peoples, and cultures of a region are just as important to study and predict as the economic effects of tourism. In this chapter, we will discuss the other two aspects of the triple bottom line in the environmental pluses and minuses of tourism as well as the benefits and costs of tourism to a society and its culture. Then in Chapter 13, we will explore how these benefits can be sustained.

## Tourism and the Environment

How can tourism be used to enhance and preserve the environment? Management, education, and appreciation are probably the most important ways. When visitor numbers are managed, and they see firsthand the wonders of the attraction or the beauty of the natural setting and are educated about visitor impacts and nature's fragile balance, they are more likely to understand the importance of preservation efforts. In addition to its educational role, tourism can be used to help finance the preservation of attractions and natural areas. Revenues generated from taxes, memberships, entrance fees, and other guest services can be used to preserve and improve the very attributes that attract tourists.

Think about the hundreds of thousands of acres of national parks and preserves, nearly 12% of Earth's land surface, that have been set aside all over the world primarily to preserve them for future generations to enjoy.<sup>1</sup> North Americans and visitors from around the globe owe U.S. President Theodore Roosevelt a great deal of thanks for his foresight in instituting the U.S. National Park System. Similar systems, public and private, as shown in Table 12.1, exist in countries on all continents, from Asia to South America.

But how can tourism managers and planners determine just how much tourism a natural site, an attraction, or any destination can handle? What types of positive and negative impacts does tourism have on culture, society, and the environment? The first question can be answered by determining the **carrying capacity** of a location. After we discuss the concept of carrying capacity, we will then consider some of the particular environmental benefits and costs tourism yields.

**Table 12.1** Worldwide Examples of National Parks and Preserves

Location	Park or Preserve
Australia	Great Barrier Reef Marine Park
China	Sanjiangyuan National Nature Reserve
Ecuador	Galapagos National Park
Guatemala	Laguna Del Tigre National Park
India	Gir National Park and Wildlife Sanctuary
New Zealand	Auckland Islands National Nature Reserve
Saudi Arabia	Ar-Rub'-Al-Khali Wildlife Management Area
South Africa	Kruger National Park
Tanzania	Serengeti National Park
United States	Arctic National Wildlife Refuge

## Defining Carrying Capacity

Just how many visitors are too many? The answer is, It depends, and what it depends on is the carrying capacity of an area. Carrying capacity is a key concept in analysis of the potential environmental impacts of tourism. Different people mean different things when they use the term *carrying capacity*, but essentially there are four elements to the concept.

1. **Physical capacity**—the limit on the actual number of users that can be accommodated in a region. Such things as the number of roads, the size of parking lots, and the amount of water resources influence the physical carrying capacity of an area. Acadia National Park in Maine is frequently marred by bumper-to-bumper traffic during the height of tourist season.
2. **Environmental capacity**—the limit on the number of users that an area can accommodate before visitors perceive a decline in the desirability of the area. This capacity is more subjectively defined and varies depending on season, and so forth. The beaches of St. Tropez in France are uncomfortably crowded in August.
3. **Ecological capacity**—the maximum level of users that an area can accommodate before ecological damage is incurred. For example, the alpine flora of Waterton-Glacier International Peace Park spanning the Canadian/U.S. border has suffered from the tens of thousands of hikers swarming the park. Ecological capacity will vary depending on the type of use made of the area. Backpackers will have less impact on a national park than campers who travel through the park on horseback or in four-wheel-drive vehicles. In addition, different types of environments are affected more or less by use. Beaches and other dunelike areas tend to be even more fragile than mountainous areas.<sup>2</sup>
4. **Social carrying capacity**—is sometimes used to label the amount of people that a society and its land area can bear without substantial damage to its culture.

## FYI BRITAIN'S NATIONAL TRUST

The United Kingdom boasts of a private organization whose mission is preservation—The National Trust for Places of Historic Interest or Natural

Beauty. Started in 1895, it is the largest private landowner in Great Britain (Scotland also has a National Trust). Along with a huge portfolio of stately

homes and gardens, the Trust owns or controls 600 miles of coastline.

**TOURISM IN ACTION****INCREASING CARRYING CAPACITY**

As part of the effort to develop tourism and benefit from the economic contribution of tourist spending, Macao has engaged in infrastructure and superstructure development to increase its carrying capacity. Macao, a city of approximately 11.7 square miles with 646,800 residents in 2015 (which represents a 46% increase from 2002), has progressively conducted land reclamation projects. It also has a light rail project planned. The construction for the Hong Kong–Zhuhai–Macao Bridge, a “Y” shape, 18.5-mile bridge connecting Macao with its two main tourist origin markets, Hong Kong and Mainland China, has started. Ferry terminals and airports also have plans for expansion. The immigration counters at major border crossings have also extended their opening hours, some with 24-hour around the clock service, to facilitate tourist movements.

Since the liberalization of casino gaming in 2002, the number of hotel rooms increased from just under 9,000 to over 32,000 in 2015 in response to the tremendous growth in tourist arrivals, from 11.5 million in 2002 to over 30 million in 2015. Large casino resorts offer 40- to 50-seat shuttle buses every ten minutes or so to and from all major ports (e.g., ferry terminals, airport, and land border crossings) as well as between sister properties to transport the mass number of guests. This significantly reduces the demand burden on local public transport such as taxis and buses and the traffic that could be caused by using smaller vehicles or private transportation.

While the government’s tax receipts and tourism-related employees’ salaries increased dramatically, housing prices skyrocketed due to influx of expatriates and foreign professionals as well as the shortage of land. This presents economic hardship for small business owners who have to pay higher salary to retain their employees and higher rent for their offices and shops. Many of the “mom and pop” stores that are part of the Macao culture for generations have since closed. Many young people, instead of going to college, are drawn to the casino and tourism-related jobs due to attractive pay. Macao is now more modern, with numerous international branded retail operations dotting the landscape.

*Sources:* Based on Tourism Statistics (<http://www.dsec.gov.mo/Statistic.aspx?lang=en-US&NodeGuid=7b23463a-d253-4750-bd12-958030df5ccb>), MACAO GOVERNMENT TOURISM OFFICE ([http://industry.macaotourism.gov.mo/en/Statistics\\_and\\_Studies/list\\_statistics.php?id=29&page\\_id=10](http://industry.macaotourism.gov.mo/en/Statistics_and_Studies/list_statistics.php?id=29&page_id=10)).

While determining ideal carrying capacities is an ideal goal, it is important to remember that there is no universal definition of carrying capacity.<sup>3</sup> Carrying capacity is more like an ideal concept. The conditions needed to establish a carrying capacity is rarely achieved in the real world. Instead of determining the limit, it is more important to answer “what are the appropriate or acceptable conditions?”<sup>4</sup> What becomes apparent in all of these capacity descriptions is that there can and should be limits to tourism activities. Too much of anything is not good, and there is no exception for tourism. There are limits to where benefits can be gained and problems of degradation begin. Basically, these limits are reached when crowding, either real or perceived, occurs and damage begins. The bad news is that all of these definitions point to the conclusion that there are limits to the number of tourists that can be accommodated in any one location or area.

The good news is that with planning and management the integrity and benefits of tourism can be maintained and achieved. By determining carrying capacities, which we will examine in the next section, optimum tourism numbers can be identified and controlled. In addition where planning and investment have been employed, capacities can be increased and growth can be accommodated.<sup>5</sup> For example, through planning, tourism-generated proceeds have come to represent a significant revenue source, increasing employment, household income, and government income for South Korea.<sup>6</sup>

**Determining Carrying Capacities**

As you can see from the previous definitions, preserving the physical and natural features that attracts visitors requires managing the carrying capacity of a location. As places become discovered or grow in popularity, more and more people will come. It might be tempting to “shut the door” or take down the “welcome” sign and hope



## FYI DENSITY

In China, almost all workers have their holidays at the same time, during the so-called Golden Weeks. These week-long periods are the Chinese New Year holiday (usually in February), Labor Day holiday (May 1), and National Day

holiday (October 1). Even if only a portion of the 1.3 billion people take a vacation during these periods, that's a lot of people on the go and at tourist attractions. For example, at the peak of the Golden Weeks, the Badaling

portion of the Great Wall receives about 65,000 visitors a day and the Imperial Palace would see about 128,000 vacationers walking through the front gate each day.

*Source:* Based on National Day Golden Week Holiday Crowds Throughout China by Paul, published by chinaSMACK.

that this would stop or limit the number of visitors. Would hoping that no one else will come be the right thing to do? The answer, is no.

The solution lies in planning and management. To determine the carrying capacity, planners must look at a variety of factors, including:

- The number of visitors,
- The amount of “use” by the average visitor,
- The quality of resource management and facility development/design,
- The number of area residents and their quality-of-life needs, and
- The number of other users of the area and its resources; for example, industrial users and farmers/ranchers.<sup>7</sup>



*Great Wall of China. Overcrowding can negatively impact the enjoyment of the experience.* Wong Chi Chiu/Fotolia

The historic old town area in Charleston, South Carolina, provides an excellent example of destination management. The numbers of people, both tourists and residents, who flock to see and enjoy this well-preserved charming southern city could soon overwhelm and destroy its very character if limits were not in place. The city has taken proactive steps to preserve this charm by limiting things such as the number of carriages (a popular way to enjoy the architecture and history of the area) that are allowed in the historic district by the use of a restricted number of medallions. At the entry point to the district, carriages wait in line to be issued a medallion before entering. This medallion must be displayed on the rear of the carriage as long as it is in the district. Once the carriage leaves the district, the medallion is returned at the entry point to be used by the next carriage in line. Not only are the number of carriages limited, but the drivers must also alert cleanup crews to pick up after their horses when they stop to relieve themselves.

Wyoming's Grand Teton National Park provides another good example of capacity control in practice. About 3.5 million visitors arrive each year to play and marvel at the mountain majesty of the area. At the same time, the nearby town of Jackson Hole has exploded with new full- and part-time residents. The area also supports its



traditional agriculture-based industries such as cattle ranching. And the amount of “use” by visitors has increased. In the past, use was primarily hiking and low-impact sports of nature (such as fishing), but visitors now bring all the comforts of home—and more—with them. Dan Burgette, chief of the Colter Bay subdivision of the park, states:

The toys people bring to the park have changed. Twenty-five years ago they would have a car and a tent. Now they come with a motor home, a boat, trail bikes, and a car in tow. Parking lots built in the 1960s just aren’t big enough. One of our biggest chores is getting people to turn off their TV sets and gas-powered electric generators at ten o’clock at night (p. 136).<sup>8</sup>

The preceding quotation suggests that the carrying capacity of an area changes when any one or more of capacity’s determining factors change. For example, if a town begins to see an increase in permanent residents, it will not have as high a “visitor” carrying capacity as before because the additional residents “use up” some of the finite carrying capacity of the area. On the other hand, the carrying capacity of a site can be increased by reducing the amount of “use” by each visitor. Constructing visitor walkways allows more foot traffic in a fragile natural area; busing visitors from remote parking lots cuts down on air pollution within a park; and creating viewing platforms allows many more visitors to view the scenery without endangering the pristine site.

Another suggestion that has been mathematically modeled and appears to hold promise for allowing increased use while increasing a sense of solitude is to stagger entry lines. Park managers at the Athabasca Falls site in British Columbia have used all of these means—walkways, buses, and view platforms—to decrease the erosion and vegetation trampling that had threatened its natural beauty.<sup>9</sup>

As you can see, identifying the carrying capacity of an area requires thorough research. The management of a natural attraction demands careful environmental planning and creative carrying capacity design to balance visitor enjoyment and education with the well-being of the flora and fauna of the location.

## Environmental Impacts of Tourism

To provide services to visitors, a tourism area must first develop the necessary infrastructure to support these services. This was just like the concerns being raised by the tribal council members in the chapter opener. Infrastructure is the underlying foundation or basic framework for a system or organization. In the case of tourism, infrastructure includes roads, ports and airports, and utilities such as electricity and water and sewage systems. In addition, superstructures will be needed. The superstructures of tourism are the facilities directly associated with serving visitors’ needs such as welcome centers, hotels, restaurants, car rental facilities, tour company offices, and retail establishments.

Obviously, the development of the infrastructure and superstructure necessary for tourism will have an impact on the environment of an area. However, the impact can be minimized with good design and planning. For example, the use of underground lines for utilities can retain the more natural look of vistas, whereas appropriate design of buildings, in terms of colors, height, signage, and landscaping, may even enhance their beauty. Many resort communities have ordinances that require harmony in architecture, color, and signs so that human-made structures blend into the natural setting. For example, in Sedona, Arizona, architecture, color schemes, and signs must follow design restrictions so that the community fits into its awe-inspiring, red-rock formation setting.

Unfortunately, such design foresight does not always occur. In the earlier days of tourism development in Hawaii, hotels were built along the beautiful beaches of Oahu with little regard to the “scenic impact” they would have. Today, these hotels completely block the view of the ocean. Developers of the other islands of Hawaii have learned from the mistakes made, and regional planners and developers are now more careful with their designs.<sup>3,10</sup>

A substantial increase in the number of people using an area's resources is likely to have a detrimental impact on the environment. This impact may simply be annoying, such as increased traffic or crowded parks; but the impact may be severe enough to cause harm to a fragile natural area. For example, the Taman Negara National Park in Malaysia is suffering from the impacts of human intervention as visitor numbers have exploded. This astounding increase in tourists has made wildlife scarce, and the forests' floors have become littered with garbage.<sup>11</sup> Likewise, Banff National Park, Canada's oldest national park, continues to suffer from the millions of visitors it receives annually. Many places in its tundra wilderness have been "trampled by so many hikers that in places the route resembles a boggy, 20-foot-wide cattle trail" (p. 50).<sup>12</sup>

Air pollution can become a problem with the increased level of vehicle traffic in an area, along with other activities that cause air-quality problems. For example, the congestion of cars through Yosemite National Park causes the very air pollution that visitors try to escape by fleeing to national parks. Some communities have taken serious steps to try to reduce the other forms of air pollution that can be caused by tourism's success. In the mountain valleys of the Rockies, it is now common for towns to prohibit hearth fires on many winter days, because wood smoke is so dense and dissipates very slowly.

In addition to air pollution, noise pollution is becoming a new problem in many communities, especially with the relocation and/or expansion of airports. Noise pollution is even a problem at the Grand Canyon. Each year, about 80,000 scenic flights take tourists low over the canyon, creating an airplane buzz that disrupts the tranquility of its splendor.<sup>13</sup> In 2000, to restore peace and quiet, Utah's Zion National Park became the first park outside Alaska to ban nearly all cars. Tourists now take shuttles from the visitor center to experience the natural sights in the canyon.<sup>14</sup> Similar limitations have been put in place around the world, including the Jiuzhai Valley National Park, China.

Light pollution is another issue that has a close relationship with the tourism industry. The infrastructure and superstructure that support tourism contributes to pollution through the conveniences and safety that artificial light provides tourists. It has been estimated that over 99% of the population in the 48 contiguous United States lives in an area with light pollution.<sup>15</sup> The desire to see the night sky without pollution has created a new target market of dark sky tourists and National Parks such as Yosemite, Acadia, and Death Valley have developed night sky interpretive programs to meet the demand.<sup>16</sup> Dark sky tourism must be proactively managed in order to avoid development that contributes to light pollution, thereby reducing the ability to see the very resource that attracts the tourists.

Possibly most damaging, however, is the impact that can occur to vegetation, wildlife, and precious historical attractions. Unplanned or poorly planned development can lead to the endangerment of flora and fauna species and to the erosion of the very sites that are the destination's "reason for being." For example, the government of Egypt is excavating more of the dozens of pharaoh burial sites in the hope that by providing more sites, they can reduce the amount of tourist traffic to the Great Pyramids in Giza. Each year, millions of visitors troop through the most famous pyramids, worsening the water vapor problem that causes salt to leach from the stones and weaken the structures.<sup>17</sup> Other countries, such as Mozambique, which is recovering from years of civil war, have demonstrated the power of tourism's economic benefits for enhancing culture and the environment.<sup>18</sup>

Historic site deterioration can occur in more modern locations as well. Many historic towns in the United States have applied the brakes to tour buses rolling through their streets. For example, New Orleans officials stopped all tour bus access to the French Quarter owing to the damage inflicted on the delicate architecture by the vibration of hundreds of buses passing through the narrow streets. Other cities are considering similar restraints.<sup>19</sup>

Virtually every year, the National Park Service considers limiting the number of people into Yosemite National Park. In the meantime, roads have been upgraded to allow better bus access through the park to try to encourage visitors to leave their cars outside.

**TOURISM IN ACTION****VENICE**

Environmental and cultural issues are not restricted to natural destinations. One of the world's most beautiful and historic cities—Venice, Italy—is suffering from tourism's success. This cradle of European civilization, 1,500 years old, includes incredible riches in terms of art, architecture, and history. Ten million visitors each year travel to it and marvel at its beauty. So what's the problem?

The problem for Venice is its location and its size. Venice is an island city, constructed on pilings sunk into the sea and connected by causeway to the rest of Italy. The ancient city is a mere three square miles in size, with a permanent population of only 70,000 residents. And the streets were built hundreds of years ago, which virtually prevents the use of cars, buses, and trucks. Its famous canals and gondolas are a prime form of transit, but they, too, are small. Each day between 50,000 and 150,000 tourists descend on the city and crowd the streets to the point that simply walking across a town square becomes nearly impossible.

This overcrowding is taking its toll on more than just citizens' blood pressures. The amount of garbage and trash is massive and difficult to dispose of due to the city's size, location, and lack of transportation options. And the crowds of visitors are taking their toll on the ancient churches, palaces, and other historic places. Solutions that are being considered include selling tickets and limiting the number of guests who can visit the city each day, as well as allowing only tours that follow differing itineraries so that the crowds are more evenly spread through the streets and the city's monuments.

*Source:* Based on *National Geographic*, 187(2), 70–99.

Mesa Verde, a world-famous archaeological site of early Native American settlements, limits access to the more popular ruins by utilizing tickets. As the market for tourism grows, carrying capacity and means to enhance it will be a major concern for planners and managers.

The United Nations Educational, Scientific and Cultural Organization (UNESCO) is attempting to preserve many of the world's historic cities and natural and cultural properties for future generations. For example, UNESCO has declared Lunenburg, Nova Scotia, Canada, as having unique value to be preserved for the education and enjoyment of future generations by declaring it to be a World Heritage Site. "The World Heritage Convention (UNESCO) is the most important international agreement aimed at preserving cultural heritage and one of the most successful international conventions ever drafted when measured by the number of state parties involved and the number of sites included."<sup>20</sup> In addition to over 1,000 sites that are recognized on the World Heritage List, UNESCO also makes designations to the List of World Heritage in Danger if a site becomes threatened and needs corrective action to manage ascertained or potential danger.<sup>21</sup>

To assess and plan for the maintaining or improving the current benefits of tourism as well as planning for potential growth should require the use of strategic environmental assessments (SEAs). The application of SEAs in tourism planning is still in its initial stage of application when compared to other industries. As you saw in Chapter 11, tourism planning is a complex process involving many different steps as well as needing to include the many different sectors of the tourism industry to gain a holistic picture. Therefore, an integrated approach involving all sectors of the tourism industry is needed for SEAs to assess the growth and impact of tourism.<sup>22</sup>

Tourism is considered by some to be one of the economic sectors least prepared to deal with the potential risks and opportunities that may be brought about by climate change. Whether you think climate change is inevitable or you are agnostic to possible changes, the thoughtful responses to varying climate change scenarios from the tourism industry are critical to the sustainability of tourism.<sup>23</sup>

To try to preserve the environment and still gain the economic benefits of tourism, **ecotourism** has evolved. Although protection of the natural environment is the key component of ecotourism (sometimes called "green tourism" or "alternative tourism"), protection and appreciation of the native peoples of an area are also two of its guiding principles. We will take a closer look at ecotourism and other sustainability efforts in the next chapter.

## Social and Cultural Impacts of Tourism

The concepts of society and culture are closely linked. A **society** is a community, nation, or broad grouping of people who have common traditions, institutions, activities, and interests. **Culture** represents the practices of a society; its customary beliefs, social roles, and material objects that are passed down from generation to generation. Again, as we saw in the chapter opener, tourism's potential effects on the culture of a society are often major concerns when tourism development is being considered. Tourism's impacts on a society can be both positive and negative. Because tourism brings “outsiders” into a society, it has the possibility of influencing that society by changing its culture.

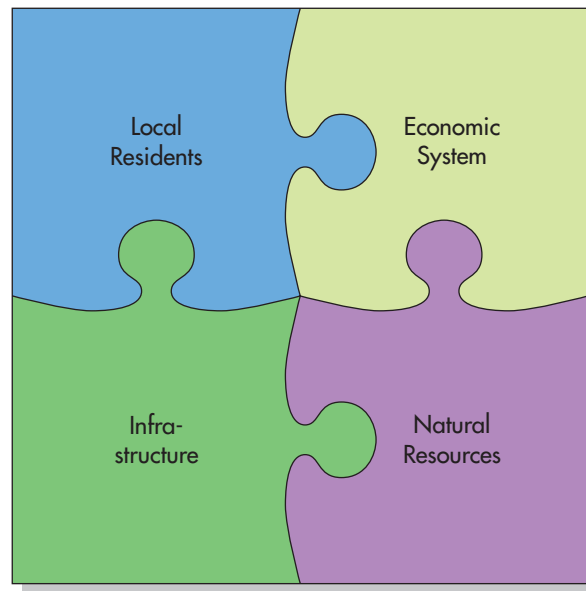
### Host Community

Tourism, by its very definition, takes place at a location distant from one's hometown. The community a tourist is visiting is often termed the *host community*. Local residents of the host community share facilities and services with the guests to the area. In this way, the town and its inhabitants become “hosts” to the visitors.

A host community is composed of four resources (see Figure 12.1). The most obvious resource is the local residents, the hosts themselves. They interact directly or indirectly with tourists on many levels: for example, serving tourists at restaurants or in retail stores, enjoying the local parks with them, or talking with visitors while waiting in line at the local amusement park. The community's economic system is also a resource of the host community. The economic health and wealth of the area are created and used by both residents and the community's guests. The infrastructure and basic government services are the third resource of the host community. The residents of the community literally share the roads, the sidewalks, the water system, and police and fire protection with the guests to their area.<sup>4</sup> Finally, the natural resources of the community are also



*The historic and cultural significance of the monuments and museums on the National Mall in Washington, D. C. attract millions of tourists each year. Photo by C. A. Cook*



**FIGURE 12.1**  
Host community resources.

shared among residents and visitors. Residents and visitors often enjoy the same beaches, rivers, lakes, and mountains. This blending of local people and their resources with outsiders can have many social and cultural impacts, some positive and some not so positive.

## Social and Cultural Benefits of Tourism

In addition to economic gains, tourism can provide many social and cultural benefits. By bringing people from a wide variety of places and cultures together, visitors and locals learn about each other, their differences, and their similarities. They also become aware of new tastes and ways of thinking, which may lead to increased tolerance among the hosts and the visitors. After 18 years, the United States lifted the travel ban on Libya in February 2004 because of its progress in fighting terrorism. In April 2004, a Dutch firm signed a \$2 billion contract to develop four new tourism resorts on the coastline of Libya. Libya now has a Tourism Ministry to oversee its infant tourism industry. Although tourism flows were staunchly due to civil unrest and a regime change, only time will tell whether citizens of the world will feel comfortable traveling in the previously controversial region.<sup>24</sup>

Another important cultural benefit of tourism is the attainment of the “critical mass” of interest necessary to maintain the viability of a society’s culture, especially the culture’s authentic art forms.<sup>25</sup> The opportunity to sell native crafts or to perform to an enthusiastic audience can entice local artisans to continue traditional art forms that otherwise may no longer be seen as a viable means of income. For example, in Fiji, islanders have turned their crafts of palm mats and shell jewelry into lucrative tourist businesses. They also earn additional income by performing folk dances, including fire walking.<sup>26</sup>

In many cases, the growth of tourism in developing countries, such as Turkey,<sup>27</sup> has led to improved standards of living and greater educational opportunities, especially for women and young people who were formerly “enslaved” by tradition. In Spain, for example, growth in tourism led to the employment of many young women outside the home and gave them lifestyle choices other than the homemaker role that had been their only option in the past.<sup>28</sup>

At the same time, tourism provides the opportunity to preserve the region’s historical and natural sites. Revenues from tourist fees and taxes afford the host area the ability to produce income and create jobs from lands and historic sites that would otherwise have



## FYI ARE YOU A RESPONSIBLE TRAVELER?

To be a responsible traveler, you must respect the area to which you are going. Simply taking in the sights won't work. Before you leave home, consider these points to see if you are a responsible traveler or if your actions could cause adverse cultural, environmental, or economic impacts:

- Have you studied the culture or cultures of your destinations?
- Do you know the basics dos and don'ts of these cultures?
- Will you respect local citizens and refrain from all activities that might change local behaviors?
- Will you walk or use public transportation whenever possible (may be even rent a bicycle)?
- Will you make every effort to not disturb and preserve local flora and fauna?
- Will you reduce and conserve on your power and water consumption?
- Have you researched the names and addresses of local tourism service providers?
- Will you make the extra effort to seek out and support these local service providers?
- Will you make the effort to try locally grown and harvested foods and enjoy local food specialties?

There are many other things to consider, but knowing a bit of the local language, asking questions, and listening will take you a long way in your quest to blend in and enjoy any place your travels take you.

to be industrially developed to achieve a higher standard of living for the local people. It is the influx of tourist *piastres* (the currency of Egypt) that is providing Egypt with the funds necessary to uncover and preserve that culture's ancient past. Spain has similarly used tourism demand to aid in historic preservation. The Spanish government developed a system of inns—*Paradores de Turismo*—that utilizes the room capacity of many of Spain's historic castles, monasteries, and convents. By generating revenue from these classic buildings, Spain can afford to maintain them, preserving them for the future.

## Using Culture to Attract Tourists

Remember that culture includes the practices of a society, including its material objects. These practices and objects can be grouped into three categories:

- material goods of culture,
- daily life activities of culture, and
- special expressions of culture (i.e., special events or sites of special historical value).

The material goods of a culture include its distinctive arts and crafts. Daily life activities of a culture include its food and dress forms, its language, and its special ways of playing, living, and working. Special expressions of culture are found in a culture's unique history, architecture, and special traditions. One of the most well-attended cultural expressions in the world is the daily changing of the guard at Buckingham Palace in London.

Think of the many destinations that you might have visited or heard about and consider how many of them attract visitors based on one or more of these elements of culture. Many destinations experience a substantial influx of tourists who are attracted by the local handicrafts and traditions of the area. The American Southwest, for example, is world renowned for its beautiful Native American crafts. The Bahamas are famous for the variety of straw goods produced by its people. Spain attracts tens of thousands of students each year who are studying Spanish. France attracts visitors eager to partake of its renowned cuisine and to view the wealth of art exhibited in its museums and galleries. Greece is a popular tourism destination because of its important historical role in the evolution of Western civilization. And the United States and Canada have turned into the world's playgrounds, attracting millions of international visitors who participate in the vast array of leisure activities available on the North American continent.

Need more examples of the importance of cultural elements in attracting visitors? The Middle East is the cradle of three of the world's most prominent religions—Christianity,

**Table 12.2** Places to Experience History

To Experience	Visit
Greek Empire Era	Temple of Apollo Epicurius erected at Bassae. Visitors at the British Museum in London can view an excellent example of an Ancient Greek temple. What makes this experience especially unique is that the temple has been disassembled, transported to London, and then reassembled and placed on display.
Roman Empire Era	Fortifications at Masada. Travel to a large plateau on the eastern edge of the Judean desert in Israel and look out over the Dead Sea and contemplate the bravery exhibited by the Jewish rebels under siege by the troops of the Roman Empire.
The Middle Ages	Venice and its Lagoon. Visitors will find 118 islands, 150 canals, and 400 bridges that form an intricate web to explore a city of history, art, and treasure.
The Mobility Era	Old Havana, Cuba. Travel to this destination and find a city seemingly frozen in time (an amazing array of architectural designs) at the beginning of the mobility era, but on the verge of bursting into the modern tourism era.
The Modern Era	Sydney Opera House. Sitting on a prominent peninsula jutting into Sydney Harbor, visitors can't help but notice a building that continues to inspire imaginations and awe based on its modern architectural form.

Source: Based on World Heritage List, <http://whc.unesco.org/en/list>.

Judaism, and Islam. Literally millions of people trek to various sites in the Middle East as a form of pilgrimage. Salt Lake City serves a similar role for members of the Church of Jesus Christ of Latter-day Saints. Italy, Mexico, Peru, and Turkey provide unique opportunities for visitors to see the architectural marvels of past civilizations.

Even industry and education can attract visitors. You have probably toured “industrial attractions” yourself. How about the Hershey chocolate plant in Pennsylvania? How about wineries in California, New York, or Washington State? And many colleges and universities are popular sites—Oxford and Cambridge in England, Yale and Stanford in the United States, the Sorbonne in France, and many more.

The list of destinations and attractions (see Table 12.2) that are based on culture is almost infinite. The cultural resources of a society provide many opportunities to generate tourism revenues. Often, the society also gains by meeting and sharing with people from other cultures, each one learning and appreciating the other. But sometimes tourism brings problems to a culture.

## Unintended Consequences of Tourism on Culture

Although we have provided a long list of benefits that tourism can offer, there can be some unintended negative effects of tourism on a society and culture.<sup>29</sup> Newcomers or visitors to a society may cause problems owing to overcrowding or by bringing unfamiliar behaviors.<sup>30</sup>

Once tourism in an area becomes successful, it is common for local residents to resent sharing “their” resources and facilities with visitors. Frequently, the residents of the area forget that many of the facilities in the area (both infrastructure and superstructure) were developed to serve the tourist market and would not be available for locals’ use if the tourists did not return year after year. As we saw in the “You Decide” of Chapter 11, communities can split apart by the debate over the effect of tourism on the area when it begins to influence the quality of life of the local residents.

While you read in the previous section that the use of material goods, daily life activities, and special expressions of culture to attract tourism can be positive, there are also risks of sharing the local culture that can have negative consequences.



*The culture of Europe, represented in its abundant museums, may be its greatest appeal to tourists.* Photo by Thomas Sun

**Authenticity** is a key ingredient to the success of using culture to attract tourists. There are cases when tourists request that traditional crafts be made in different sizes to fit in a suitcase or in a different color based on the tourists' preference, or perhaps a tour company requests that indigenous people perform a sacred dance on a regular schedule.<sup>31</sup> Over time, the demand from tourists causes the local craft to lose its integrity or standard of quality, and dance or similar expressions begin to lose their meaning and the tradition becomes diluted when performed on demand for the tourists.<sup>31</sup> Another issue with potentially negative consequences is when tourists choose to purchase souvenirs that are mass produced outside of the region so they are less expensive than ones made by the locals. Rather than supporting the local people and their authentic culture, tourists who purchase imported souvenirs contribute to leakage which also hurts the economy.

## The Demonstration Effect

Another serious societal problem can occur especially in lower-income areas. In some locations, tourism has caused what is termed the **demonstration effect**. It has been argued that the demonstration effect can occur in both directions: a member of the host group imitates the tourist or a member of the tourist group imitates the host. There are five stages that occur in this process: observation of a behavior, analysis of the behavior, comparison of the current behavior with the observed behavior, evaluation to determine if the behavior can be copied, and finally a decision to copy the behavior in some form.<sup>32</sup>

Compared with their own lifestyles, the local residents often see the visitors as uniformly wealthy and in possession of all the "good things" in life. This display of material goods and affluence may lead to envy and resentment from the locals. This effect can happen in developing island countries, such as Jamaica, as well as in industrialized countries. In Great Britain, many locals resent the large number of wealthy Arabs who visit that country each year.<sup>33</sup>

Tourism's effect on young people may have a detrimental effect on the culture of an area. The youth of a region are the most likely to seek the jobs created by the tourism industry, which are often higher-paying than the traditional work available, for example, farming. It is common for a young man or woman in a developing nation to be able to earn much more than his or her elders and to flaunt this disparity through the purchase of material goods. This apparent casting away of the society's traditional ways can cause rifts in families. The younger generation is also the most likely to copy behaviors of the tourists that may be considered improper in the region's culture.

The advent of a substantial [tourism] industry in an area tends to diminish the traditional ways and inject the styles, tastes and behaviors of the tourists into the local people. Tourism tends to increase the standard of living of those involved in it but also transforms the very fiber of the community, frequently separating a formerly homogeneous group into classes and divergent generations (p. 143).<sup>22</sup>

Developing countries can experience a subtle change in their class system from tourism. It is common for ownership of the tourism businesses to rest with foreigners, who also frequently bring **expatriate** managers to fill the higher-skilled, higher-paying jobs created. In these instances, tourism can be viewed as a modern form of colonialism, in which the host country is “exploited” for its natural beauty but does not participate in the most lucrative return from the industry. This foreign ownership resentment can also occur in industrialized countries as investments are made by those considered to be outsiders.

The world of the Sherpas of Nepal, about whom we will learn more later, has been forever changed as tourists became a part of their lives. When Nepal opened up to tourism in 1964, the handful of visitors who ventured into the pristine countryside could be counted in the hundreds. By the 1980s, the numbers had exploded to well over 200,000 and then to over 700,000 by the 2000s with nearly 100,000 of these visitors planning on trekking during their visit. Drawn by magnificent scenery and a unique culture, these visitors needed lodging along very concentrated trekking routes on their quests to see Mount Everest. As more lodges were built, more trees were cut for firewood; more shops were opened to offer supplies; and more “comforts of home” appeared. Tourism thus became the economic focus of the Sherpa who operate the lodges and restaurants, sell the goods, and serve as guides. As the Sherpa focus on tourists, the old ways of agricultural subsistence farming are slowly fading away.<sup>34</sup>

## A Dark Side to Tourism's Promise of Economic Benefits

It has been said that prostitution is the oldest form of business, and the advent of **sex tourism**, once called prostitution tourism, probably wasn't far behind. The problems and misery of this shadowy and often invisible side of tourism have often been overlooked or ignored. In poor countries, especially those with low standards of living, where just getting enough to eat can be a real and recurring problem, sex tourism has tended to flourish. Because it can be a lucrative cash business, just like the drug trade, it flourishes where it is not controlled. The lure of easy cash and the desire to escape poverty can create situations where locals are attracted to sex tourism. The money generated from sex tourism then creates envy usually aggravated by the demonstration effect resulting in pressure for locals to set aside or ignore traditional societal norms to cater to deviant tourist behaviors.

Sex tourism can cause deep resentment, split both families and communities, and in the extreme, irreparably damage lives. As noted by Karsseboom,<sup>35</sup> while sex tourism

brings shame to husbands, fathers, and brothers, it is often a substantial part of many families' incomes . . . as men leave their families in search of work and better lives . . . women are left with the burden of providing for themselves and their families in a society that pushes them into a way of life that it shuns (p. 32).

This problem is especially prevalent in economically depressed or politically unstable countries where the lure of money and a better life draw suppliers and their prey into commercial sex.

Researchers believe that the phenomenon of sex tourism has grown dramatically in recent decades because there are:

- increasing numbers of individuals traveling, especially to new and distant destinations;
- more situational abusers; individuals who did not intend to engage in sexual acts, but who get caught up in an atmosphere of freedom in their travels and lose their inhibitions;
- too many (often very poor) people, sometimes including local law enforcement, who derive too much income from the sex tourism trade to shut it down; and
- which has resulted in an increasing number of victims.<sup>36–38</sup>

Once it takes root, it is very difficult to shut it down.<sup>39</sup> It is even more appalling to note that, as the sex tourism has grown, the age of victims has continued to decrease with “some as young as five years old” (p. 2).<sup>40</sup>

While the majority of sex tourists come from the United States, Canada, and the European countries, governments worldwide are stepping forward in a unified front to bring awareness to the problem and fight it with criminal penalties. As these information and enforcement efforts are combined with those of non-governmental organizations, airlines, hotels, tour companies, and travel agencies, there is hope that this pervasive problem of human slavery can be brought under control. For example, the Australian government, in cooperation with the tourism industry, developed a “Travel with Care” leaflet that “is distributed in airports, travel agencies, travel medical centers, passport offices, embassies, and visa offices...and tour operators must complete the mandatory child sex tourism component before finishing their studies” (pp. 468–469).<sup>27</sup> And, Air France shows a video on long-haul flights targeted at male passengers traveling to developing countries for the purpose of sex tourism, warning perpetrators that they will go to jail.<sup>41</sup>

## External Influences and Internal Problems

Many areas find that tourism development is the only viable “export” industry and therefore change their political and economic structures to accommodate the needs of tourism developers and tourists. To encourage tourism, the local governments often waive taxes, import restrictions, and environmental safeguards on tourism investors and develop infrastructure that is mainly available to tourists and not the native population. In this way, the natives see the trappings of a better life but do not participate in it. In 2004, factions within (and outside of) the Dominican Republic were arguing about denationalizing parklands to allow new tourism developments, thus expanding the tourism industry within the island country.

Crime also can become a serious societal problem when tourism succeeds. Researchers believe this phenomenon is due to both the increase in the number of potential victims and the resentment and envy of the apparent wealth and carefree attitude of the tourists. Milman and Pizam found a relationship between tourist season and crime season: Crime increased at the height of the tourist season but was lower during the off-season.<sup>42</sup> Researchers suggest that the larger number of people in an area increases a criminal’s potential gain from crime and decreases the chances of being caught. This increase in crime becomes a social and economic burden on the local area because it raises fear and necessitates funding a larger police force.

Unfortunately, another social ill that sometimes occurs with the development of tourism is a decline in the moral conduct of the local people. This moral decay—promiscuity, prostitution, alcohol, and drug use—is particularly damaging to a society



that had few of these behaviors owing to a strong religious or cultural taboo against them.

Finally, some cultures have balked at the effect tourism has had on their language. Because so many tourists and business travelers use English as a common communication means, the native tongue loses its value and is replaced by English owing to employment qualifications and the demonstration effect. The French seem especially sensitive to threats to the French language. One of the biggest fears concerning the development of Disneyland Paris was the effect that English usage in the park would have on the native language.

Many of these unintended consequences can be seen in the once isolated country of Nepal. Each year, more than 20,000 visitors arrive at the base of Mt. Everest in Nepal. The Sherpa, a native people of the region, have flourished from this influx of international travelers.

Strong, congenial, and adept at business, Sherpas play a role in the tourist trade rivaled by few indigenous peoples in the world. Sherpas own most of the 300-plus lodges and hotels and many of the companies that organize the treks. Tourism has made the Sherpas of Khumbu rich, or at least considerably richer than most of their neighbors (p. 54).<sup>43</sup>

Sherpas involved in tourism earn incomes five times the average for Nepal as a whole. Recently, the Sherpas have begun “subcontracting.” The Sherpas organize and guide the mountain treks but now subcontract the “heavy lifting” (of gear and supplies) to less-well-paid members of other area natives.

This increased prosperity for the Sherpas has not been achieved without problems. This new dependence on tourism means that world events now affect the Sherpas’ lives. For example, the Sherpa community saw a reduction in the number of visitors when they staged a strike in 2014 which ended the climbing season and then an avalanche in 2015 closed the climbing activities for the whole season.

Owing to Maoist insurrections within greater Nepal and the armed security that is required, tourist numbers dropped nearly 40% by 2004. Interaction with peoples from around the globe has also led young Sherpas to leave their native mountain home for the outside world, primarily Kathmandu, for an easier life, better education, and a variety of jobs. And the Sherpas now are experiencing irritants from modern technology. In an area where telephone service was nonexistent, the cell phone has arrived and signal disruption is a new irritant that the Sherpas now share with the rest of us!<sup>25,32</sup>

The examples just mentioned are only a few instances of the unintended consequences that tourism can have on a society and its culture. Most of tourism’s negative impacts on the physical environment are also unintended. The influx of thousands of visitors to a region is often too much for the environment and the host community to withstand without stress. Tourism to an area in large numbers is called *mass tourism*.

## Summary

In addition to potentially positive economic benefits, the tourism industry can have negative impacts on the environment, cultures, and societies. When visitor numbers are planned for and capacities are managed, the revenues generated through taxes, memberships, and entrance fees can be used for marketing and educational efforts to create awareness and minimize the potentially negative impacts of visitor activities. By preserving and maintaining the attractiveness of an area or destination, economic vitality can also be maintained. Achieving this balance has been a proven success, as many of the world’s

precious historical and cultural sites have survived because of visitors willing to pay to view treasures of the past.

Carrying capacity is a key concept in determining the impact that tourists may have on an area. Both the physical and social carrying capacity of an area can be analyzed by considering factors such as number of visitors, type of use, and number of residents. The carrying capacity of an environment or host community will be increased or decreased by changes in the situation such as better planning or increased intensity of use by visitors. The increase in visitors to tourist destinations, whether natural or human-made, has heightened

the need for managers to expand carrying capacity through creative facility designs.

For hundreds of years, communities have utilized natural and cultural resources to attract visitors. However, as tourism continues to grow, additional attention and efforts will need to be focused on planning, management, and preservation efforts. History has taught us that failure

to do so can lead to a variety of unintended consequences from what should be positive economic benefits. When tourism grows unchecked, locals may not only become resentful and even envious of visitors, but they may also witness increases in crime, congestion, and what many consider to be a “way of life,” or a desire to return to “the way it was,” before tourists arrived.

## You Decide

Alaska, population 600,000—the last frontier of the United States. Far away, difficult to get to, inhospitable. Not today’s Alaska. Thanks to the cruise industry, anyone can visit the distant sights of Alaska, even the far interior Denali National Park. In the past, Mount McKinley, at the heart of Denali park, was visited by relatively few hearty backpackers. With the influx of dozens of cruise ships each summer season, over 100,000 visitors view the majesty of the tundra of the park. Carnival Corporation alone moved 110,000 cruisers from its ships onto its trains and to its hotels on the outskirts of Denali.

The 800,000-per-summer cruise passengers have most affected the tiny coastal towns of Alaska, such as Skagway (year-round population 862). On a typical summer day, 9,000 passengers descend from their “floating hotels” to the buses that whisk them off to several dozen shore excursions, including the White Pass & Yukon Railway or Broadway, the shopping district of Skagway. Some are local shops offering Alaskan souvenirs, but many are shops transplanted from the Caribbean, like Diamonds International. The cruise lines “get a cut from stores . . . in exchange for recommending the establishment and mentioning a money-back guarantee on items” (p. 98).

What do the residents of Alaska think of the growth of tourism to the state? They see the massive increase in visitors as good news and bad news. The bad news? Pollution, congestion, noise. The good news? “The cruise industry

spent \$900 million into Alaska, mostly in wages and retail sales. Three-quarters of Skagway’s \$80 million in revenues came from [the cruise industry]” (p. 98). Former railroad conductor, now day-tour operator Steven Hites says, “If it weren’t for the cruise industry, my little town of Skagway would have been boarded up” (p. 98).

In the oil-supported state, where there is no income, sales, or property tax, some towns have tried to tax the cruise lines. For example, Haines passed a 4% organized-tour tax in 2001. Cruise lines dropped the port from their future itineraries, and the decline in the town’s revenues resulted in a 40% increase in the unemployment rate (9%–12.5%). In 2003, Haines repealed the tour tax, hoping that the cruise ships would return. With the return of cruise ship traffic, the unemployment rate in Haines had dropped to 4.7% in the summer of 2010.

What does the future hold for Alaska? The emerging issues for tourism in Alaska are the same as those for tourism anywhere in the world. More development? More environmental protection? More taxes? More jobs, more entrepreneurial opportunities?

Kroll, Luisa. (2004). Cruise control: Carnival Corp. is leading the charge to open up the last frontier to the vacationing masses. *Forbes*, 174(4), 96–102. Bureau of Labor Statistics, <http://www.bls.gov/lau/laucntycur14.txt> (retrieved December 2, 2011).

## Net Tour

To get you started on exploring Internet links for this chapter, please see

[www.nps.gov](http://www.nps.gov)  
[www.nepalhomepage.com/travel/firstpage](http://www.nepalhomepage.com/travel/firstpage)  
[www.jiuzhai.com/language/english/index.html](http://www.jiuzhai.com/language/english/index.html)  
[www.macautourism.gov.mo/en/index.php](http://www.macautourism.gov.mo/en/index.php)

[www.gdrc.org/uem/index.html](http://www.gdrc.org/uem/index.html)  
[whc.unesco.org/](http://whc.unesco.org/)  
[www.nationaltrust.org.uk/](http://www.nationaltrust.org.uk/)  
[www.culturalheritagetourism.org/](http://www.culturalheritagetourism.org/)  
[www.ecpat.net](http://www.ecpat.net)

## Discussion Questions

1. How can tourism aid in the preservation of societies, cultures, and natural environments?
2. What host community resources are shared by both visitors and local residents?
3. What are the major factors that determine an area’s carrying capacity?
4. How can culture be used to attract tourists?
5. What negative effects has tourism had on cultures and the natural environment?
6. How can tourism be used to benefit a culture? What are some of the cultural problems that can result from large numbers of visitors?
7. What are the potential unintended consequences of tourism?

## Applying the Concepts

1. Find an article in a recent magazine (e.g., *National Geographic*) that discusses how some host communities manage the demands of tourism. Be prepared to summarize the article for the class.
2. Using the Internet, find an environmental impact study conducted on one of North America's national parks. What steps are suggested to alleviate any problems found?
3. Conduct a cultural inventory, and document what might attract tourists to your area or another area in which you are interested.
4. Many Native American tribes have used casinos as a tourism development tool. Identify one such tribe using library and online resources, and summarize the economic and social/cultural benefits and costs brought to the tribe by tourism.
5. As a tourist to a foreign country, what do you do that would provide economic benefits to the host community? What can you do to maximize positive and minimize any negative social impacts you leave with the host community?
6. Interview two or three friends and relatives who just returned home from a holiday. Ask if they had visited places that are densely populated. How did they feel the crowds impacted their touring experience?

## Glossary

**Authenticity** An item or activity that is original and genuine to the origins of culture.

**Carrying capacity** A key concept in environmental impact analysis that relates to the amount of use an environment is capable of sustaining under certain circumstances.

**Culture** The practices of a society; its customary beliefs, social roles, and material objects.

**Demonstration effect** Display of material goods and wealth by tourists leading to envy by local residents based on either the perception or the reality of being less fortunate.

**Ecological capacity** The maximum level of users that an area can accommodate before ecological damage is incurred.

**Ecotourism** A form of tourism that focuses on environmental and cultural preservation.

**Environmental capacity** The limit on the number of users that an area can accommodate before visitors perceive a decline in the desirability of the area.

**Expatriate** A citizen of one nation who lives in a nation of which he or she is not a citizen.

**Physical capacity** The number of users that can be accommodated in an area.

**Sex tourism** Travel to a foreign country usually by males from developed countries to underdeveloped or developing countries for the purpose of engaging in sex, especially with children.

**Social carrying capacity** The number of outsiders to an area that can be accepted without having damaging psychological effects on the locals of the area.

**Society** A community, nation, or broad grouping of people who have common traditions, institutions, activities, and interests.

**Triple bottom line** Measuring tourism success in terms of maximizing positive impacts and minimizing negative impacts on the economy, environment, and local residents.

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# CHAPTER 13

## Sustaining Tourism's Benefits

*There are no passengers on Spaceship Earth. Everybody's crew.*

—MARSHALL MCLUHAN

### LEARNING OBJECTIVES

**After you have read this chapter, you should be able to:**

1. Explain how the success of sustainable tourism is measured with the triple bottom line.
2. Explain how ecotourism differs from mass tourism.
3. Explain how tourism service providers can fulfill the principles of ecotourism.
4. Describe the benefits that may be achieved through the use of ecotourism practices.
5. Explain why tourism service suppliers are embracing sustainability practices.
6. Describe why it is so difficult for tourism service suppliers to achieve sustainable operations.

### CHAPTER OUTLINE

Green's the Dream

Introduction

When Is Tourism Too Much of a Good Thing?

Planet

People

What's in a Name?

Ecotourism

Niche Markets

Establishing Standards

Going Green

A Future of Sustainability

Summary

You Decide

Net Tour

Discussion Questions

Applying the Concepts

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References



## Green's the Dream

It didn't seem possible, but five years had passed since Tyla purchased the Lakeway Resort. She and her staff had accomplished so much in their goal to achieve sustainability, yet there was much more to be done.

When Lakeway had come on the market for sale, Tyla jumped at the chance to buy it based on positive recommendations from her accountant and close friends in the tourism business. She had vacationed at the resort with her family since early childhood and would return anytime her hectic career had allowed. The peace and tranquility of the resort in its pristine location along with numerous water and winter sports activities made it an ideal getaway destination.

Stepping away from a successful career in the hotel industry was a major life change, but she never regretted her decision. Lakeway Resort had been well-maintained, and the 40 cabins clustered on 21 acres had been thoughtfully placed to take full advantage of the natural setting.

As soon as Tyla signed the papers and took possession, she began to make changes that would lead to creating a sustainable operation. Long before people talked about carbon footprints or LED lightbulbs were the norm, earth-friendly decisions were being implemented throughout the resort. The small rental fleet of outboard-motor fishing boats had been replaced with kayaks and rowboats. All disposable service ware and cups had been eliminated; linens were now changed only at guests' request regardless of the length of their stays; no pesticides were in use; and the laundry used only recycled water and biodegradable detergents. Through wise purchasing decisions and an extensive recycling and composting program, waste had been reduced to a minimum.

In addition to implementing numerous environmentally friendly programs, Tyla had worked with neighboring property owners to improve wildlife habitat as well as creating trails with numerous wildlife viewing venues. She was also committed to hiring all of her employees from the local community and always selected local contractors when she needed to pay for additional services so her spending would multiply in



*An Asian tour group admires renaissance statues in Florence's Piazza della Signoria.*

Photo by Thomas Sun

the economy. To her delight, the feedback was mostly positive from the resort's guests. They seemed to enjoy being part of the sustainability efforts.

Her efforts were even catching the attention of the press, and last year she had won the Governor's Award for "Sustainability in Hospitality." Still, there was much to be done to meet her dream of creating a truly sustainable operation.

Following the management practices she had implemented from day one, she scheduled a daylong retreat with her full-time staff to discuss possible future actions. It was time to make plans for some major renovations including new furnishings. To preserve the environment and create a truly sustainable operation, what type of furnishings should be purchased? Could they be purchased from sources that used locally produced products? Should any of the carpeting be replaced, or would natural or even textured concrete flooring be more appropriate? What should be done about the disposal of the old mattresses? These were just a few of the questions posed at the beginning of what would launch the next phase of Tyla's dream of serving guests while enhancing the environment.

## Introduction

Consider the root of the word *sustainability*. What does it mean to *sustain*? Essentially, sustainability is about providing what is needed for something or someone to exist and continue<sup>1</sup> in the future. Like Tyla, responsible tourism business owners nowadays emphasize not only the financial bottom line but also maximize the positive impacts on the area's social/cultural and environmental resources, or what you have learned is called the "triple bottom line." Sustainable tourism focuses the triple bottom line by incorporating each of the three Ps: Profit (economic impacts), Planet (environmental impacts), and People (impacts on the local residents).

Creating sustainable tourism operations is more than just words; it requires action and commitment. Sustainable tourism has taken the lead from work done in sustainable development. As early as 1987, the World Commission on Environment and Development (WCED) defined sustainable development as "[m]eeting the needs of the present without compromising the ability of future generations to meet their own needs" (p. 8).<sup>2</sup> Borrowing from this philosophy, in 1993 the World Tourism Organization, defined sustainable tourism as meeting "the needs of present tourists and host regions while protecting and enhancing opportunity for the future."<sup>3</sup> Destinations and individual tourism businesses are learning to accept that to be sustainable, success must be measured by finding a balance of making a profit while protecting natural and cultural resources so that decisions today do not adversely affect the success of future generations.

Commitment to sustainability is important because the tourism industry has exploded in recent decades, and the number of travelers continues to grow each year as quicker, cheaper, and safer transportation to almost every corner of the globe becomes available. A second reason is the explosion in the number of the world's citizens who now have the leisure time and money to travel. The longer lives and better health of many of the world's peoples is a third reason. Finally, global communications make people more aware of the wondrous sites of the world and the endless activity options available to them.<sup>4</sup> The United Nations World Tourism Organization (UNWTO) estimated that there were over 1.2 billion international arrivals in 2015,<sup>5</sup> and with that kind of traffic, sustainability is more important than ever.

## When Is Tourism Too Much of a Good Thing?

The costs of tourism, especially its environmental, social, and cultural costs, have led many destination residents and tourists alike to become disillusioned with **mass tourism**. Concerns about mass tourism; the rise of large numbers of working- and

middle-class travelers; have all add to critics' lament about the continued growth of tourism as they see problems of this growth resulting in:

- The architectural pollution of tourist strips,
- The herding of tourists as if they were cattle,
- The disruption of traditional cultural events and occupations,
- The diminished natural environment and beauty of the area, and
- The low priority paid to local needs with funds used instead to increase tourism amenities to keep the community competitive in the marketplace.<sup>1</sup>

Mass tourism tends to emphasize Profit and sacrifice the Planet and People resources. The conveniences demanded by mass tourists can strain the environment through the development of more and more infrastructure and superstructure and the increasing wear and tear from the presence and actions of more and more tourists.<sup>6</sup> It is probably obvious to you that building lots of hotels, restaurants, roads, and airports can cause serious problems for an area's environment. For example, the construction of ski resorts in the Alps has led to mudslides and landslides that are damaging the mountainsides.

## Planet

This boom in tourism has given rise to millions of new jobs and increased economic prosperity in countries across the world, but as we began to see in Chapter 11, tourism can usher in problems along with economic benefits. The millions of additional tourists have strained the resources of many destinations, sometimes straining natural resources to the point where the initial appeal of an area is diminished and visitation to it declines. Figure 13.1 provides one tourism expert's idea of the stages that a destination may go through from beginning to decline. It is important to note that not all destinations decline. If tourism managers are closely monitoring the area's performance, it is possible to anticipate the need to change and enter a phase of rejuvenation before the decline stage begins. Often, rejuvenation is associated with the reallocation of resources, introducing new technologies, or finding a way to reinvent the destination to better meet the needs of existing target markets or develop products and services for new target markets. As tourism numbers have increased, questions about future sustainability of these activities have grown.

Some issues are easier to anticipate and mitigate than others. Climate change is incredibly complex and possibly the greatest impending threat to global tourism. While the existence of climate change may have been debated in popular media, the scientific community agrees that anthropogenic climate change is occurring. This means that although the Earth has experienced natural fluctuations in temperatures in the past, human activity (including greenhouse gas emissions<sup>7</sup>) is now contributing to unprecedented shifts in weather patterns. What does this mean for tourism? Many tourism activities are based on seasonal climates: skiing in the winter, hiking amongst wildflowers in the spring, surfing in the summer, and watching the leaves change color in the fall. These are examples of the many tourist attractions based on existing climate patterns. Think about how many trips you have taken recently that were dependent on certain weather conditions.

Various climate models exist that provide different projections for how much the global temperature will change but most estimate that the global temperature will rise between 2° and 6° Fahrenheit by the year 2050.<sup>8</sup> As you learned in Chapter 10, certain destinations are more seasonal than others, but the potential threat of climate change will force most destinations to begin implementing adaptations to what attractions they offer and during what time of year. Weather dependent attractions such as ski

**FIGURE 13.1**

Stages of tourism development. Source: Butler, R. (2006). *The Tourism Area Life Cycle: Applications and Modifications* (Vol. 1). Channel View Books.

resorts or beach resorts may be the first to make changes. Ski resorts may start to experience shorter seasons and be required to move their base areas to higher elevations where the snow is less likely to melt. Beach resorts closer to the equator may at first experience longer tourism seasons, but uncomfortably hot temperatures may eventually turn tourists away. Even non-seasonal attractions found in big cities are threatened because many are positioned along coastlines and need to be concerned with sea level rise that could eliminate their existing locations.<sup>9</sup>



Tourism has a complicated relationship with climate change. Not only is tourism likely to be dramatically influenced by climate change in the future, tourism also is an industry that significantly contributes to the human activity that is causing climate change. Particularly within the transportation sector,<sup>10</sup> greenhouse gas emissions from tourism have been growing. Unfortunately, research shows that tourists are generally unwilling to voluntarily change their behaviors to lessen emissions, especially when it comes to limiting their air travel, and it is likely that change in the future will come in response to government regulations.<sup>11</sup>

The threat of climate change has actually promoted irresponsible tourism for those who wish to see destinations and attraction that may no longer exist in the near future. One such example is “last-chance tourism” to view polar bears in Northern Canada where the impact of visitors is “loving tourism destinations to death.”<sup>12</sup>

Climate change is not only a concern for the environmental impacts of tourism. Because tourism is service-oriented, if destinations were to lose tourism demand it would result in job losses<sup>13</sup> and potentially impact the local residents and their quality of life.



Native peoples can be harmed by the demonstration effect of tourism. Photo by Ron Hilliard

## People

Many of the gains realized from tourism are economic and have often been short term in nature. The costs, however, especially to natural and cultural resources of an area, are more likely to be long-lived or even permanent. Too many times, nonlocal developers relying on “outside money” are the biggest winners, and when the area has become saturated and starts to decline, these developers move on to the next trendy destination with no concern for the damage that may have been done. The quality of life for the local residents can decline if they are not on the receiving end of the benefits that tourism can bring to a region through foreign ownership and leakage. The quality of life of the local residents can also be impacted by their social interactions with the tourists. Called the host-guest relationship, the behavior of the tourists can influence local residents regardless of whether they work in the tourism industry.

Tourism researcher George Doxey studied the effects that “outsiders” have on destination residents and developed an index of these sentiments called the *Irridex*. The *Irridex* describes the levels of irritation that locals may feel with the influx in the number of tourists and the changes brought about by this growth. Stage One is Euphoria. In the first phase of tourism development, locals welcome both tourism investors and travelers, recognizing the economic boom tourism can generate. Stage Two is Apathy, as residents begin to take tourism for granted, contacts with tourists become businesslike, and communications focus on marketing. Stage Three, termed Annoyance, develops when residents become “saturated” with



the number of tourists in their area and begin to see the downsides of sharing their home area. Antagonism, the final stage, is achieved when residents reach their boiling point and overtly treat visitors with verbal or even physical abuse. Tourists are viewed as the root cause for the area's problems. This stage sets off a vicious cycle requiring increased promotional efforts to attract visitors and offset the deteriorating reputation of the region.<sup>14</sup>

## What's in a Name?

So far, we have presented quite a list of problems, both environmental and cultural, that can result from tourism. What can be done to minimize these problems? In areas where tourism activities are still developing, long-range planning will address some of the potential problems in developing tourist destinations. In developing areas and in already popular tourist locations, many efforts can be taken that will help safeguard the environment and the people. These efforts are encompassed in a variety of initiatives that can be found under the umbrella of **sustainable tourism**. As you know, sustainable tourism maximizes the positive impacts and minimizes the negative impacts on Profit, Planet, and People. Figure 13.2 illustrates how sustainable tourism is distinct from mass tourism but has a variety of niche markets within it.

By many accounts, sustainable tourism is the fastest-growing phenomenon of the industry, especially when you consider all the related terms that have been attached to and arbitrarily used to describe sustainable tourism, there should be no doubt about this claim. It seems as though everyone finds marketing appeal in describing its service offerings as green, sustainable, or ecologically friendly.

Pick up a copy of any popular travel or tourism magazine and you will be hard pressed not to find at least one article dedicated to sustainability somewhere in the issue. It has become very popular for almost everyone in the tourism industry to tout its efforts at sustainability. Sustainability appears to be just as popular in the academic community, with entire journals dedicated to the subject. Usage of the term *sustainable* has become so prevalent that the concepts and practices of sustainable tourism are beginning to be lost in a semantics jungle.

One thing is for sure: No matter what these efforts to preserve resources are called, maintaining the positive benefits of tourism is in everyone's interests. Unchecked and unplanned tourism growth can lead to the eventual destruction of the very assets that originally served to attract visitors. Taking steps to preserve and protect tourist attractions will create a legacy for future generations. Achieving these benefits begins with awareness and education, and ends with actions!



**FIGURE 13.2**

Degrees of sustainability.

## Ecotourism

The first efforts to reduce the negative impacts of tourism on the environment, especially on fragile areas, were called **ecotourism**, which primarily involves travel to sensitive natural and cultural environments to observe and learn about a very different culture and environment and participate in low-impact (on nature) sports activities. The term ecotourism originally was used to label a form or philosophy of tourism that emphasizes the need to develop tourism in a manner that minimizes environmental impact and ensures that host communities gain the greatest economic and cultural benefits possible.

The foundation of ecotourism is the preservation of the environment. In addition, **ecotravelers** generally desire to mingle with the local culture and have their travel needs filled by locals in their traditional ways (such as dining on the local gastronomical delights). Compared with other travelers, **ecotourists** tend to be wealthier, college educated, and willing to spend large amounts of money on extended trips.<sup>15</sup> They also tend to participate in active yet nature-focused sports such as climbing, canoeing, and kayaking.<sup>16</sup> “Ecotourists are more environmentally concerned and responsible than non-ecotourists. They are also more dedicated to nature, more supportive of tourism accreditation programs, and more likely to patronize businesses with good environmental practices even at a higher cost” (p. 275).<sup>17</sup>

The seed of ecotourism was planted within the burgeoning environmental movement of the 1960s. It grew during the 1970s and 1980s, fed by increased concern for the environment, dissatisfaction with the urbanism of mass tourism, and entry into the tourism marketplace by less developed countries with nature as their primary attraction;<sup>3</sup> and ecotourism continues to explode, having gained the designation as the fastest growing segment of tourism. Ecotourism is experiencing double-digit growth that should accelerate as concerns over the environment and global warming rise.<sup>18</sup> The importance of ecotourism, its size, and its influence on economies, environments, and peoples were recognized by the United Nations when it declared 2002 as the International Year of Ecotourism.<sup>19</sup>

There are five basic principles to ecotourism development.<sup>20</sup> The core guiding principle is that tourism should be blended with, or assimilated into, the environment and the local culture of an area. The boundary between the tourism industry and the host community should not be startling: Tourism should fit into the community and share in its ways. This blurring can occur, for example, by matching architecture to the existing local structures and using the area's natural vegetation for grounds landscaping.

A second principle of ecotourism is that the tourist experience should focus on the host community's existing scenic and activity opportunities. In other words, tourism should evolve from the area's natural and historic/cultural attractions rather than developing attractions that do not reflect the authenticity and uniqueness of the region. Third, ecotourism is associated with local ownership and management of all or most services. Tourist needs should be filled by local businesspeople and local employees rather than by foreign investors or managers. In this way, more of the economic benefits of tourism flow to the local citizens and their local governments.

To further benefit the host community economically, the fourth principle is that a high proportion of local materials should be used to fulfill tourists' needs, from construction materials to foodstuffs. For example, in Zambia, there is a unique resort called Tongabezi. The architecture of the “hotel” is a sight to behold. Most of it is built from native lumber and grasses, and many of the guest rooms are open air. One suite, called the Bird House, is built high in a huge tree, and neither the bedroom nor its private bath needs to have walls for modesty's sake. The height of the rooms alone provides all the privacy needed.

Finally, the fifth principle highlights the importance of conservation of resources. By using what are called “ecotechniques,” local utilities such as water, heat, and electricity can be stretched to accommodate the needs of both the tourists and the local population. Ecotechniques include use of solar power, rainwater collection, and bioclimatic design of structures to aid in heating and cooling.

## FYI WILDERNESS ACT

In addition to national parks and national forests, the United States has wilderness areas. In 1964, realizing that the growing population would strain the natural resources of the country, U.S. Congress enacted the Wilderness Act, which set aside large pieces of

land to be retained in their primeval state: “areas where man himself is a visitor who does not remain.”

Use of these areas is highly restricted. Although there have been exceptions made, in general, the following are not allowed in federal wilderness areas:

- Commercial enterprises,
- Permanent or temporary roads,
- Motorized or mechanical vehicles, including boats, snowmobiles, and bicycles, and
- Landing of aircraft.

Even with good intentions, ecotourists still may have a negative impact on a destination. How do individual tourists threaten the natural environment? One way is simply by blazing trails while walking through nature. One person walking through a wilderness area may not have any significant impact on the area, but 10,000 people within a short period certainly will. The simple action of trampling grass multiplied by 10,000 can lead to erosion of land. For example, several of New York State’s Adirondack Mountain peaks are now bare owing to hiker traffic. And driving through a natural area can cause more damage. The manufacture and promotion of “off-road” vehicles may be the biggest threat to nature. To view ever more remote areas, travelers and tour operators are venturing farther into our national forests and parks, scaling fragile rock formations, and converting dirt paths into rutted mud holes. Left unchecked these actions can cause irreparable harm.

Since its birth, ecotourism has been defined in various ways and used as a marketing term with growing popularity for any number of tourism attractions and tours. It has come to encompass a wide variety of nature-based activities, from hard to soft. This explosion in the use of the term makes some tourism experts now maintain that the word ecotourism “has been applied so widely that it has in many regards become meaningless (p. 1168).<sup>21</sup> Table 13.1 provides some examples of the common terms that have been adopted as descriptors and lumped together to describe ecotourism and related activities.

David Weaver says such dismay over what many consider to be indiscriminate use is not necessary and suggests today’s ecotourism should be defined as “a form of **nature-based tourism** that strives to be ecologically, socio-culturally, and economically sustainable while providing opportunities for appreciating and learning about the natural environment or specific elements thereof” (p. 105).<sup>22</sup> Weaver suggests ecotourism now encompasses the following three core elements.

1. Attraction of natural environments, so ecotourism is nature based.
2. Emphasis on learning as an outcome of ecotourism for the tourist that differentiates ecotourism from other more hedonistic forms of “nature-based” tourism, such as Sun, sea, and sand; skiing, trekking, or rafting.
3. High desire for sustainability of the natural attraction and the native people of the region.<sup>11</sup>

**Table 13.1** Common Terms Used to Describe Ecotourism and Related Activities

Adventure Tourism	Green Tourism
Low-impact tourism	Nature-based tourism
Rural tourism	Sustainable tourism
Wilderness tourism	Responsible tourism

## FYI HOGAN AND BREAKFAST

One of North America's best examples of ecotourism development can be found on the Navajo Reservation. Navajo families welcome overnight guests who are interested in experi-

encing the unique Navajo way of life. Visitors sleep in octagon-shaped structures called hogans, made of rough-cut logs, which are heated with wood. Breakfast often features traditional

Navajo food such as blue corn mush. The real attraction that keeps guests coming, however, is the opportunity to experience Navajo culture and traditions directly from tribal members.

Source: Based on The Navajo way. East Valley Tribune, pp. G1, G3. (No. 28, 1999).

As mentioned previously, 21st century ecotourism covers a range of tourism experiences on a continuum of hard to soft activities. For example, a **hard ecotourist** might travel to coastal sea turtle nesting areas to aid these gentle giants in propagating their species. A **soft ecotourist** might be a passenger on a cruise ship that stops in Costa Rica and takes a guided day trip to the Cloud Forest.

Hard ecotourism activities (rugged and uncomfortable) are enjoyed by a relatively small proportion of environmentally conscious ecotourists. Soft ecotourism applies to short-duration trips often incorporated into a longer multi-destination or multipurpose trip. This "side-trip" form of ecotourism is thus tacked on to trips that would largely be considered mass tourism. Estimates of the size of the ecotourism segment have ranged from 2% to 25% or even 50% of the tourism market. The low estimates likely represent the original concept of ecotourism and are the proportion of the market we might term *hard ecotourists*. The larger figure represents soft ecotourists, or those whom Weaver calls mass ecotourists.<sup>11</sup>

Whereas a few of you may have been a hard ecotourist on a past trip, most of you, like the majority of tourists, would probably be classified as a soft ecotraveler based on the activities in which you participated on a recent trip. For example, if during a spring break trip to Florida you spent a day on a guided tour of the Everglades, you would have been considered a mass ecotourist that day. Or you may have taken a whale-watching boat trip off the coast of California. Incorporation of ecotourism activities within trips like these examples has become commonplace, as people around the globe have developed keen interest in the often-fragile natural world around them.

Ecotourism and ecotechniques can be used by both newly developed and fully developed tourist destinations to try to minimize the negative impacts that large numbers of visitors can have on host communities and the environment. As tourism numbers continue to grow, more and more nations and communities need to apply the principles of ecotourism and conservation to ensure that the tourism industry remains viable. "Benefits from ecotourism for the local community include opportunities to gain skills and leadership, heightened self-esteem, expanded networks of support, and better organizational capacity. However, negative changes brought by ecotourism are new restrictions on time, the erosion of reciprocity and other traditional relationships, and new conflicts associated with the distribution of profits" (p. 461).<sup>23</sup>

What can we conclude about ecotourism as we see it today? Though use of the term has strayed from its original intent, the key to the idea of ecotourism remains the same: sustaining the natural and cultural elements of fragile environments. Whereas natural and cultural preservation are definitely appropriate for some areas, sustainability is needed in all areas and operations.

## Niche Markets

Thanks to the efforts of Jonathan Tourtellot, the Senior Editor of *National Geographic Traveler* magazine, a new form of tourism, **geotourism**, which combines all of the

prominent features of a destination, from natural resources and culture to lodging and shopping, has found its way into the tourism vocabulary. Geotourism proposes that travelers have various attitudes and behavior toward the cultural heritage, aesthetics, environment, and well-being of the local people in the destination. This relatively new form of tourism focuses on the unique culture and heritage of a location while attempting to help visitors enrich these qualities. Geotourism is all about making a place better by encouraging tourists to visit and spend money with preservation in mind. Destinations are encouraged to showcase those things that set them apart as unique. The geotourism designation should ultimately attract more tourists, but at the same time, it should motivate both locals and tourists to preserve the cultural and/or natural resources that make the place special.

Destinations are encouraged to showcase those things that set them apart as unique. Efforts such as increased emphasis on volunteering while on vacation are increasing awareness, preservation, and protection of all of our resources. **Voluntourism**, a trip that combines travel activities with charitable work, allows tourists to give back through service projects while they take time to experience a destination.<sup>24,25</sup> By providing volunteer tourist opportunities to engage their head, hands, and hearts, benefits will be realized by not only the tourists but also the hosting organizations.<sup>26</sup> WWOOFing (World Wide Opportunities on Organic Farms) is a segment of voluntourism that is growing in popularity.<sup>27</sup> There is a global network of farms that invite WWOOFers to come and stay at the farm to receive education, housing, and most meals in return for work on the farm. WWOOFing is an excellent example of how voluntourists can immerse themselves in a community; make a contribution to the destination while dramatically reducing their travel costs. Voluntourism and other efforts targeting the sustainability of tourism will build a positive foundation for the enjoyment of travel experiences, for both business and leisure, for generations to come.

Look no further than foodservice to find the epitome of sustainability. Local food, especially, appeals to the tourists' interest in authenticity.<sup>28</sup> The goal of the farm-to-fork concept is to create a complete circle of sustainability. When local farmers first teamed up with local restaurants to showcase locally produced, especially organically produced agricultural products, it was an immediate hit with consumers. In fact, it was such a hit that many of these organic producers started showcasing their operations and products by hosting special dinners "down on the farm." Many of these farm-to-fork events have grown so much in popularity that reservations must be made months in advance.

Since locally grown agricultural products are only transported short distances when used at local restaurants, or even not at all, there is little if any carbon footprint created through transportation. However, when composting is added to the mix, the carbon footprint for this tourism phenomenon is reduced even more. Through composting efforts, restaurants are returning food wastes to the farm so that it can be used as fertilizer for future organically grown crops. In addition, these waste materials can be returned to the farms on the very vehicles that make deliveries thus eliminating the need for delivery trucks to return to the farms empty.

The farm-to-fork concept was originally fostered by entrepreneurs who saw a business opportunity, but it has grown past simple and singular operations and is now being encouraged at the local, state, and national level with support and encouragement from local tourism organizations and governments. Farm-to-fork events with signature dining opportunities have come to be popular in wine growing regions around the world, but are also being embraced as a way of life for promoting tourism in countries like Ireland as visitors seek authenticity. Telling the "story" of food production offers an enhanced visitor experience.<sup>28</sup> Continued growth in farm-to-fork venues will enhance sustainability as they promote "... social, economic and environmental benefits for hosts and guests ..."<sup>28</sup>

**Wildlife tourism** is yet another niche market where tourists visit destinations with the intention of seeing native species in their natural habitat. This is in contrast to viewing animals in enclosures at heritage attractions like zoos and aquariums that you read about



## FYI IDENTIFYING TOURISM OPERATORS DEDICATED TO CONSERVATION AND PRESERVATION

With all of the potential confusion about terms such as *ecotourism* and *sustainability*, the best bet for travelers is to ask some very pointed questions to identify those operators who are dedicated to conservation and preservation. The following questions are a good starting point for initiating the conversation:

- Is there a published environmental policy?
- Are construction materials and supplies provided from local sources?
- How are resources conserved?
- How is gray water used?
- What types of renewable energy sources are used?
- How are local flora and fauna protected?
- Are locals hired as employees and guides?
- What is given back to the local community?
- Are ecotourism education programs provided to employees and offered to guests?

Source: Based on Oko, D. (2006). Four questions on ecotourism. *Arthur Frommer's Budget Travel* (Newsweek LLC), 9(5), 51.

in Chapter 9. Wildlife tourism is growing in popularity as traditional attractions have been increasingly criticized for lacking sustainable principles. In 2013, the documentary, “Blackfish,” raised questions about the management of Sea World when an orca whale attacked and killed a trainer during a show.<sup>29</sup> The incident and the increased awareness of the incident from the film resulted in decreased visitation and significant financial losses and Sea World reevaluated their top executives and management.<sup>30</sup>

As industry participants adopt practices designed to maintain or achieve sustainability, the number of visitors that can be accommodated decreases. So, if sustainability is to be achieved, there is a limit to the number of tourists that can be accommodated in any setting. From a marketing, management, and financial perspective, it is important to note that proactive measures such as targeting these niche segments that are environmentally friendly and economically attractive will allow destinations to limit numbers without having to impose capacity restrictions. By marketing to tourists who are environmentally friendly, thus not requiring education on the importance of sustainable practices, economic benefits can be achieved as these tourists have been found to spend more money. In particular two segments, Nature Lovers (these tourists are educated about the environment and seek to experience nature) and Environmental Wanderers (these tourists are also educated about the environment and seek to actively experience it) have been found to meet these two criteria.<sup>31</sup> Research has shown that positive attitudes toward ecotourism are likely to influence people's intention to purchase ecotourism products or services as well as to pay a premium for these products and services. However, it was also found that individual's materialistic values may negatively influence these intentions.<sup>32</sup>

## Establishing Standards

Environmental certification programs lack global standardization, especially within tourism. There is a wide variety of associations providing certifications and governmental agencies setting forth guidelines for use of this title, but there are no universal standards for usage. For example, “a vacationer looking to spend time and money in an environmentally conscious manner might run across names such as Sustainable Travel International, Conservation International, Rainforest Alliance, the International Ecotourism Society, Green Hotels Association, and EcoClub, as well as regional associations such as Eco-tourism Australia and Travel Green Wisconsin” (p. 51).<sup>33</sup> “To confuse matters even more, many not-so-green businesses are jumping on the bandwagon for economic benefit, duping good-hearted tourists with their murky promises” (p. T3).<sup>34</sup> Without a global standard, consumers must be skeptical of marketing claims that a business or the products they sell are genuinely eco-friendly.



*An eco-friendly rating system for hotels.* Photo by Cathy Hsu

The term eco has been adopted and abused so widely that a new term has been coined to apply to tour operators who make dubious ecological claims—greenwashers. There are seven sins of greenwashing when a business will mislead a customer to believe they have a commitment to the environment when it is false. The seven sins are:<sup>35</sup>

1. Sin of the hidden trade-off: A claim suggesting that a product is “green” based on a narrow set of attributes without attention to other important environmental issues.
2. Sin of no proof: An environmental claim that cannot be substantiated by easily accessible supporting information or by a reliable third-party certification.
3. Sin of vagueness: A claim that is so poorly defined or broad that its real meaning is likely to be misunderstood by the consumer.
4. Sin of worshipping false labels: A product that, through either words or images, gives the impression of third-party endorsement where no such endorsement exists.
5. Sin of irrelevance: An environmental claim that may be truthful but is unimportant or unhelpful for consumers seeking environmentally preferable products.
6. Sin of lesser of two evils: Claim that may be true within the product category, but that risks distracting the consumer from the greater environmental impacts of the category as a whole.
7. Sin of fibbing: Environmental claims that are simply false.

While a global standard does not exist, recently, several governments have created national certification programs to verify the ecoworthiness of tour operators, hotels, and other tourism suppliers. In October 2003, Kenya was the first African nation to introduce such ratings. The private, nonprofit Ecotourism Society of Kenya sends independent inspectors out, armed with a list of criteria that range from environmental measures (water recycling) to economic benefits (purchasing locally grown produce).<sup>36</sup>

Another example is the Certification for Sustainable Tourism (CST) in Costa Rica. The CST’s mission is to make sustainability a reality within tourism in Costa Rica and they award 1 to 5 leaves based on the operation’s physical and biological relationship, internal process and practices, management services, encouragement of the client, and socio-economic realm.<sup>37</sup>

However, with so many different uses and misuses of the term *ecotourism*, many industry groups have begun to establish guidelines and standards to define ecotourism operations. As with all standards, the goals are to:

- Provide clear definitions,
- Establish measurable criteria,
- Measure and report compliance,
- Promote consistency in use of terminology, and
- Create defined marketing programs.

Once agreement can be reached on terminology and measurements for agreed-upon standards, clarity in meaning and application of ecotourism concepts can be achieved.

## Going Green

As you read the following quote about why hotels are embracing sustainability, think about how other tourism service suppliers might embrace similar actions:

Good for the planet, good for people, good for profit—the trifecta of sustainability explains why boutique hotels to big guns are going green. And it's not just green-washing. Forward-thinking hospitality executives are investing in maintenance

**Table 13.2** Sustainable versus Conventional Lodging Operations

Attribute	Sustainable	Conventional
Host community	Maintain social and cultural diversity while educating and engaging community members in sustainability activities.	Collect and pay taxes.
Project location and design	Build on previously developed land, and design buildings to blend in with natural setting while incorporating energy-efficient features.	Locate and build on a site with beautiful views or outstanding natural attributes.
Building materials and operating supplies	Use natural materials in construction that do not have to be shipped in, and encourage development of local suppliers for operating needs.	Utilize standard designs to minimize construction costs and centralized, low-cost procurement processes.
Transportation	Promote ride sharing and the use of mass transportation, using electric and hybrid vehicles while limiting the use of fossil-fuel vehicles.	Locate without regard to transportation infrastructure.
Staff	Recruit, train, and develop local employees for all positions.	Import skilled labor and hire local unskilled labor for entry-level positions.
Food	Build menus around local cuisine and crops, encourage sustainable farming practices, and purchase from local sources.	Utilize standardized menus based on popularity and centralized purchasing and distribution programs.
Energy	Utilize passive cooling and solar sources, avoid fossil fuels, utilize renewable energy sources, and use energy-efficient appliances and practices.	Utilize available power sources.
Water	Conserve, utilize natural water sources and gray water, capture runoff, desalinate, and avoid chemicals.	Utilize available commercial or community water sources.
Waste management	Reduce, recycle, and dispose of waste so as not to harm the environment.	Utilize available commercial or community waste management facilities.
Marketing	Provide information on the benefits of sustainability practices and encourage respect for the environment.	Utilize all available marketing channels to increase visitor traffic and occupancy rates for maximum profitability.

makeovers, system overhauls, and new green-from-the-ground-up construction. They're choosing renewable materials and earth-friendly supplies, energy-efficient technologies, and management practices that reduce environmental impacts (p. 24).<sup>38</sup>

Possibly the greatest benefit of ecotourism has been the transfer of the ecotourism philosophy to the preservation of many practices that support mass tourism markets. One simple starting point that is often adopted for identifying sustainable practices is the promotion of the four Rs: Reuse, Recycle, Reduce, and buy Recycled products. Imagine all of the waste that can be generated in a traditional lodging facility. Hoteliers have found that conserving resources is good for their profit and also good for their image. While the initial choice to reduce waste may come from saving money or complying with government regulations, there is increased demand from tourists for businesses to follow sustainable practices. Table 13.2 outlines differences in lodging operations between sustainable and conventional properties. Individuals are increasingly realizing that their consumption choices directly influence the environment and have put pressure on hotels to follow the same waste reduction strategies that they have adopted in their own homes.<sup>39</sup>

As the chapter opener demonstrates, even Tyla faced this same dilemma as the decisions about what she and her staff could do to reach her dream of sustainability covered a broad continuum of decisions. These decisions ranged from relatively inexpensive and easy-to-implement changes to costly, time-consuming, and complex actions. What should be apparent as we begin to explore sustainability in the context of travel and tourism is that it is a concept that is still developing.

To sustain the viability of destinations, ecotechniques, developed under the philosophy of ecotourism, are now being used by tourism suppliers to sustain the positive benefits of tourism and reduce and minimize the negative effects it can have on destinations and host communities. In addition, more destination decision makers

## TOURISM IN ACTION

### THE KING PACIFIC LODGE

The King Pacific Lodge, a 17-room super-luxury barge resort, is towed from Prince Rupert to Prince Royal Island each spring. This uninhabited British Columbian archipelago creates a perfect starting point for wilderness hiking and fishing for affluent guests who want the best of everything. Operating in this pristine location has made owner Hideo Morita keenly aware of his resort's potential for environmental impacts. In an effort to preserve the environment the resort calls home, Mr. Morita pledged to reduce the resort's carbon dioxide emissions by 50% by the year 2012. The result of those efforts is a carbon-neutral vacation.

This will be no easy task, as guests reach the lodge in chartered float planes and have the use of a helicopter and a fleet of a dozen high-powered fishing boats. In addition, the resort relies on two 110-kilowatt diesel generators for power.

As a start toward reducing carbon emissions, the all-electric kitchen was converted to use propane as fuel; hot water temperatures were lowered 13 degrees; governors were installed on outboard motors to reduce fuel consumption; and restrictions were placed on boats as to the minimum numbers of passengers required before they can leave the dock. In addition to fishing, guests can enjoy hikes through the surrounding forests on trails that have been created not by humans but by the local wildlife.

Even the chef has been asked to make sacrifices. He can no longer fly in fresh organic vegetables each week to produce stocks from scratch. Now he must bring aboard stock at the start of the season and keep it in the freezer.

How have guests who are accustomed to getting what they want no matter what the price reacted? According to Mr. Morita, "It's a concern. We're asking our guests to make those sacrifices in hopes that a little bit will do a lot for us. But I can't guarantee that all of the guests will understand that."

*Source:* Based on The carbon-neutral vacation. (2002, July 28–29). *Wall Street Journal*, pp. P1, P4–P5 and Jun, A. (2012, Autumn). King Pacific Lodge, Nature's course. *Montecristo Magazine*. Available at: <http://montecristomagazine.com/magazine/autumn-2012/king-pacific-lodge>.

are using formal planning processes to guide future development and operations to sustain both the marketability of the destination and the quality of life of its residents.

From the five ecotourism goals for “establishing standards” discussed earlier, you can see how host communities can gain many potential benefits from incorporating the concepts into sustainable practices rather than simply chasing mass tourism by:

- Generating more income for more local community members,
- Promoting understanding between locals and members of different cultures,
- Educating local populations on matters of health, education, energy use, business, and environmental conservation, and
- Providing a financial incentive to protect and conserve a globally significant natural/cultural resource.<sup>40</sup>

Many of the techniques just described can also be used in already developed tourism areas to improve or sustain the existing tourism industry. Although applying one or two techniques will not change an area from a mass tourism to an ecotourism destination, simply to adopt efforts such as water conservation and sign codes (limiting their size, height, and lighting) can help alleviate problems that may have arisen. Research has shown that there are some identifiable barriers that discourage customers from participating in green practices (e.g., only having sheets changed on stays of three or more nights, using key cards to turn power to the room off and on) including inconvenience, perceptions of cost cutting, and concerns about decreased luxury. Interestingly, although customers expressed interest in being green, they are more likely to behave with a higher level of environmental responsibility at home than in a hotel.<sup>41</sup>

As you saw in Chapter 12, there are other means of managing the physical and social carrying capacity of developing and developed tourism areas. For example, to eliminate crowds, policies of dispersion have been used. Rather than allowing one area of a destination to become the center of all tourism activity, the infrastructure and superstructure can be spread throughout the region to force visitors to be more evenly distributed. Zoning can also be used to limit the amount of development that can occur in any one place.<sup>42</sup>

To promote sustainability and manage the carrying capacity of specific sites, restrictive entry is often used. Sometimes the number of visitors is limited through reservations, tickets, or a lottery system. At other times, the number can be limited by charging higher fees, thus limiting the number of visitors able and willing to pay the price of admission, and usually reducing the number of times any tourist chooses to visit the site. Limiting types of usage can also reduce the number of users of a site or the impact to the environment any user has on it.

When it comes to sustainability, talk is cheap and putting sustainable practice in place can be priceless for the environment. One way for any tourism or hospitality organization that has a building to prove that they are dedicated to sustainable practices is to obtain **LEED** (Leadership in Energy and Environmental Design) certification from the nonprofit U.S. Green Building Council. LEED certification can be obtained for new construction as well as renovations. According to the U.S. Green Building Council, in the United States alone there are over five billion square feet of lodging space dedicated to guest rooms, event space, and public facilities.<sup>43</sup>

There are four levels of certification; starting at certified and then moving up through silver and gold, finally reaching the ultimate level, platinum. Each of these levels is reached by accumulating points in eight categories.

- Sustainable Sites—consideration for the entire ecosystem including land and water.
- Water Efficiency—consideration for water consumption.
- Energy and Atmosphere—consideration for energy sources and use.



- **Materials and Resources**—consideration for sourcing, transportation, and waste.
- **Indoor Environmental Quality**—consideration for air and light quality and sound control.
- **Location and Linkages**—consideration for design choices that include interrelationships with local surrounding.
- **Innovation and Design**—consideration for use of innovative technologies and design.
- **Regional Priority**—consideration for specific regional concerns.<sup>44</sup>

The last category, Regional Priority, is especially important as LEED certification efforts are expanding internationally and are now recognized in over 20 countries. Since all of us either work in or spend time in buildings, any efforts directed at embracing sustainability will touch and have a positive impact on all of our lives.

Achieving LEED certification is definitely within reach of any hotel operation. For example, ITC Hotels which is headquartered in New Delhi was able to obtain LEED Platinum certification for its entire portfolio of hotels. This feat was achieved by doing such things as use biodegradable materials and supplies, using locally grown and processed foods and beverages, promoting fair trade practices, and it even owns a wind farm to supply power to one of its hotels.<sup>45</sup> Other certification programs such as The Green Seal for hotels and Energy Star which have both been certified by the

## TOURISM IN ACTION

### GOING GREEN: DOING GOOD AND DOING WELL

When hotels “go green” by instituting conservation measures, they benefit in two ways. The measures can save the earth’s resources and reduce costs at the same time. Here are a few examples:

<i>Conservation Measure</i>	<i>Eco-Benefits</i>	<i>Cost Savings</i>
Energy-saving lightbulbs and “smart” thermostats	By using more efficient lightbulbs and allowing high-tech thermostats to regulate heat and air conditioning when a room is empty, hotels reduce the energy they demand from their regional power grid, freeing up this power for other users.	By reducing energy usage, the hotel saves on its energy bills, usually by tens of thousands of dollars per year for medium to large properties.
Towel and linen reuse	By allowing guests to choose to re-use towels and bed linens, hotels cut their water consumption and reduce the use of chemicals by about 10%.	Hotels not only save costs associated with water and sewer bills and detergent and bleach but also cut labor costs. Housekeepers can clean more rooms when they do not have to change sheets and towels in each room assigned.
Refillable shampoo dispensers	By dispensing with all those little plastic bottles, hotels free up space in area landfills.	Complimentary shampoo can be provided at a reduced cost because most of the cost of such small-size grooming products is represented in the packaging. Hotels find they can offer higher-quality shampoo to guests at a lower cost to the hotel when going “green.”

Source: Based on Rosenthal, John. (2003, January–February). Why hotels go green. *National Geographic Traveler*, p. 20.

U.S. Environmental Protection Agency and the Green Food Service Alliance which has been certified by the National Restaurant Association are beginning to bring credibility to claims of sustainability.

## A Future of Sustainability

There is a recent debate about the difference between a tourist and a traveler. What is your initial reaction when you read the word *tourist*? Tourists are likely to take vacations that are characterized by elements found in mass tourism, with little awareness or concern for natural and cultural resources in the destination. Tourists are more concerned with convenience and familiarity and can be disconnected from the places and people they visit. Travelers, on the other hand, want to immerse themselves in the destination so they are actively experiencing a place rather than passively observing a place. Travelers will purposefully avoid “touristy” areas and seek authenticity by exploring remote places and meeting local people to appreciate the true meaning of the landscape and the culture. There is a stronger connection and sense of belongingness for a traveler and they are more likely to make a contribution to the destination based on their deeper understanding of its character.<sup>46</sup>

It may seem like an easy solution that everyone should be a *traveler*, get off the beaten path, and follow the ecotourism principles. However, that is not entirely the case and some argue that mass tourism has its own place if it is managed well. What if everyone got off the beaten path? That path could become a road, and that road could become a highway.<sup>47</sup> Ecotourism essentially promotes visitation to remote and fragile areas that are highly sensitive to the impact of tourists. Relying on ecotourism



People exploring the Everglades National Park on a guided boat could be labeled as soft ecotourists. Photo by Cathy Hsu

exclusively would threaten the few undisturbed places left in the world, so a better solution is to develop mass tourism according to the triple bottom line of sustainability, and allow for ecotourism and other forms of alternative tourism as a supplement.<sup>48</sup>

One area of opportunity within sustainable tourism is “lifestyle entrepreneurship.” Small and medium-sized enterprises (SMEs) with fewer than 250 employees make up a considerable portion of the economic production and employment within the tourism industry. SMEs tend to be deeply rooted to the local landscape and culture and their size enables them to make deeper connections with their guests. Tour companies, outdoor recreation guides, bed and breakfasts, and food trucks are all examples of tourism business that could be operated successfully as an SME. Some owners of these SMEs are considered lifestyle entrepreneurs because of a conscious choice to build and maintain a small and flexible business so that they can pursue a satisfying lifestyle rather than profit optimization.<sup>49</sup>

Now, think back to Chapter 1 and our discussion of the many different definitions and approaches that have been taken to describe the tourism industry. Do you remember how difficult it has been for industry participants to agree on a singular focus? It seems to be just as difficult to describe sustainable tourism. Yet, as difficult as it may be to define, sustainability is critical to the industry as “tourism contains the seeds of its own destruction; tourism can kill tourism, destroying the very environmental attractions which visitors come to a location to experience” (p. 27).<sup>50</sup> At its root, “sustainable tourism” is an oxymoron because tourism inevitably will have negative impacts on the destination and “true” sustainable tourism development is unachievable.<sup>51</sup> However, if we assume that people will continue to want to travel, the philosophy of sustainability will help minimize the negative impacts and maximize the ability of future generations to see the world.

## Summary

The tourism industry has exploded in recent decades as the number of travelers continues to grow. Quicker, cheaper, and safer transportation to almost every corner of the globe and an increase in the number of people who now have the leisure time and money to travel have made this possible. Many of the gains that have been realized from this increased level of travel have been economic, but there have often been costs to the environment and the people in visited areas. In response to these impacts, many initiatives based on the concepts of sustainable tourism can be taken and have been taken.

The seed of ecotourism was planted with the environmental movement and continues to explode. The term *ecotourism* was originally used to label a form or philosophy of tourism that emphasized the need to develop tourism in a manner that minimizes environmental impact and ensures that host communities gain the greatest economic and cultural benefits possible.

Now, ecotourism involves travel to sensitive natural and cultural environments to observe and learn about very different cultures and environments and participate in low-impact sporting activities.

On a broader scale, members of the tourism industry are attempting to ensure the long-term survival and prosperity of travel-related activities by embracing sustainable practices. As the use of terms such as *ecotourism* and *sustainability* has grown in popularity, many industry groups have begun to establish guidelines and standards to define and set apart these terms. There seems to be a great deal of confusion about the definitions and usage of both of these terms, as well as of other related terms that have found their way into the tourism vocabulary. It seems as though everyone finds marketing appeal in describing its service offerings as green, sustainable, or ecologically friendly. However, creating ecologically friendly or sustainable operations is more than just words; it requires actions and commitments.

## You Decide

The chief executive officer of Xanadeaux Hotels and Resorts had been studying the marketing and economic benefits of adopting sustainable practices and decided it was time to act. Failure to adopt sustainable practices at the company’s properties would not only put it at a competitive disadvantage; it

would also result in lost profits. Therefore, to begin this process, he asked the director of marketing to survey the sustainability actions the company was currently taking and then develop a marketing plan that could be used to highlight the company’s best practices and leadership in these efforts.

A quick inventory revealed that many standard practices such as energy and water conservation were in use throughout the chain, but it also revealed that each of the general managers had different ideas about what it meant to run a sustainable operation. These differences appeared to be the most pronounced between those managers who were located in resort settings as opposed to those who were located in major metropolitan areas. What soon became apparent was that there was no organization-wide sustainability program.

Having been charged with developing a marketing plan to showcase and promote the sustainable posture

of the chain, it was time to make a decision. It seemed as though most competitors were using terms like *green*, *sustainable*, *earth-friendly*, and *environmentally friendly* in their advertising and publicity programs; so why not take the same tack for Xanadeaux, and let practice catch up with reality in the future? Because most of the properties already had programs in place to reduce waste, conserve energy, and recycle whenever possible, wasn't Xanadeaux in fact embracing sustainability? Or would they be committing a sin of greenwashing to include such statements in their marketing?

## Net Tour

To get you started on exploring Internet links for this chapter, please see:

[www.ecotourism.org](http://www.ecotourism.org)  
[www.ecotourism.org.au](http://www.ecotourism.org.au)  
[www.ec3global.com](http://www.ec3global.com)  
[www.dep.state.fl.us/greenlodging/](http://www.dep.state.fl.us/greenlodging/)  
[www.sustainabletourisonline.com/default.aspx](http://www.sustainabletourisonline.com/default.aspx)

[www.seacanoec.net/](http://www.seacanoec.net/)  
[www.dundeparkacademy.com/](http://www.dundeparkacademy.com/)  
[new.gstcouncil.org/](http://new.gstcouncil.org/)  
[www.myfootprint.org/](http://www.myfootprint.org/)  
[www.travelgreen.org/](http://www.travelgreen.org/)  
[www.woof.net](http://www.woof.net)

## Discussion Questions

1. When can tourism be too much of a good thing?
2. What are the major principles of ecotourism?
3. Why is it important to establish standards for the use of terms such as *eco*?
4. How can hotel and resort operators create sustainable practices?
5. What benefits may be achieved by a host community through the use of ecotourism practices?
6. How can destinations move from mass tourism to sustainable tourism practices?

## Applying the Concepts

1. Interview a travel agent about the ecotraveler market segment. How many of his or her clients would be part of this segment? What destinations does he or she consider ecotourism destinations? Collect information on one of these destinations to bring to class.
2. Based on the descriptions of ecotourists that range from hard to soft, how would you describe yourself? Provide examples of travel activities you would enjoy that fit your description.
3. Make an appointment to visit a local hotel or resort. Using the information presented in Table 13.2, "Sustainable versus Conventional Lodging Operations," classify how the property measures up.
4. Identify a tourism business (e.g., attraction, resort, retail) that features sustainability in its operation. List all the activities and actions being taken that illustrate its effort in achieving and maintaining sustainability.
5. Antarctica is an once-in-a-lifetime dream destination for many adventurous travelers. Search for information on the types of cruise and package that take those brave souls to the southern tip of the earth. Are those cruises and packages eco-friendly? Would visits impact the ecological system and environment in Antarctica? Should people visit Antarctica at all? Would you? Why or why not?

## Glossary

**Ecotourism (also called ecological tourism)** A form of tourism that focuses on environmental and cultural preservation.

**Ecotourists** Leisure travelers who prefer to visit less popular, more primitive destinations.

**Ecotravelers** Travelers who visit sensitive, natural, and cultural environments to observe and learn about a very

different culture and environment and participate in low-impact sports activities.

**Geotourism** Tourism that sustains or enhances the geographic character of the place being visited, including its environment, culture, aesthetics, heritage, and the well-being of its residents.

**Hard ecotourist** Physically active travelers with a strong environmental commitment who seek specialized trips with an emphasis on personal experiences.

**LEED** An alliteration for Leadership in Energy and Environmental Design, a certification program sponsored by the nonprofit U.S. Green Building Council recognizing sustainable practice in building design, construction, and renovation.

**Mass tourism** Twentieth-century phenomenon whereby the working and middle classes began traveling in large numbers for leisure purposes.

**Nature-based tourism** Travel to unspoiled places to experience the natural world.

**Soft ecotourist** Physically passive travelers with moderate environmental commitment who seek multipurpose trips with an emphasis on interpretation and physical comfort.

**Sustainable tourism** Tourism activities and development that do not endanger the economic, social, cultural, or environmental assets of a destination.

**Voluntourism** A trip that combines travel activities with charitable work.

**Wildlife tourism** Travel to observe animals, birds, and fish in their native habitats without altering their behaviors.

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# CHAPTER 14

## The Future of Tourism

*The more things change, the more they stay the same.*

—ALPHONSE KARL

### LEARNING OBJECTIVES

**After you have read this chapter, you should be able to:**

1. Describe emerging trends that will affect future tourism marketing decisions.
2. Describe how emerging market segments will affect the future of the tourism industry.
3. Describe how tourism service suppliers will be affected by changing consumer needs.
4. Describe how and why tourism service suppliers are becoming larger through mergers, consolidations, and alliances.
5. Describe how technological changes will affect the future of the tourism industry.
6. Explain why the human touch will remain important to the future success of tourism service suppliers.

### CHAPTER OUTLINE

#### On the Road Again

##### Introduction

##### The Shape of Coming Tourism Markets

- Demographic Shifts
- Travelers with Disabilities and Special Needs
- Changes in Business, Professional, and Conference Travel

##### Emerging Tourism Markets

- Slow Tourism
- Adventure and Extreme Tourism
- Medical Tourism
- Vocation and Real Estate Tourism
- Space Tourism
- Marijuana Tourism

##### Meeting Future Tourists' Needs

##### Transportation Transformations

##### Moving into an Era of Competitive

##### Cooperation and Consolidation

##### Service Enhancements

- Amplifying Guests' Experiences

Safety and Security Strides

Keeping the Human Touch

#### The Green Frontier

##### Tourism Research

- Types of Tourism Research
- Who Conducts Tourism Research?
- Who Needs and Uses Tourism Research?
- When, Where, and How Is Tourism Research Conducted?

##### Tourism Research Is Hard to Do

##### Conclusion

##### You Decide

##### NetTour

##### Discussion Questions

##### Applying the Concepts

##### Glossary

##### References

## On the Road Again

Look into the future with us to this imaginary setting. The scenario facing Myra was a familiar one. She had completed and transmitted all of her sales reports and was ready to head out “on the road again.” Once a month, she followed up on her webcam calls with personal visits to the primary contacts on each of her key accounts. Webcam calls had improved customer service and made it easier to handle some of the day-to-day details of her job, but the personal touch of regular meetings with her clients was what kept them coming back. Although a routine trip, it would be hectic. She had scheduled 15 sales calls in three cities on Tuesday, Wednesday, and Thursday followed by some well-deserved rest and relaxation in the Miami area.

Setting the itinerary for the business portion of her trip would be easy, as she had called on these clients many times in the past. Technology took a lot of hassle out of the business travel experience. Her profile information was stored in relevant service provider databases, taking the guesswork out of scheduling business travel and making reservations. Everything from the preferred color and style of rental cars to the room types and locations of favorite hotels and restaurants was stored in these databases and used to schedule and meet personal preferences. Even her hotel rooms were configured to make her feel at home and take some of the stress out of her travels. CRM databases knew the type of linens she likes, the music she likes, her preferred room temperature, and what amenities should be placed in the bathroom. Scheduling programs were also used to recommend optimum client scheduling and to map out the most efficient routing along with approximate travel times for each sales call or business meeting.

Although she relied on the travel planning databases for the business portion of this trip, leisure decisions were a different story. Like many business travelers, Myra took advantage of her time away from “home” to combine business and pleasure on some occasions. On this trip, she decided to have some fun and do a little exploring. Once again, the technology to plan and dream about a fun-filled weekend was as close as her fingertips. After giving her smart phone a simple voice command, she was taken on a virtual tour of Miami. She was instantly transported to the sights, sounds, and smells of the city on a virtual reality site maintained by the city’s convention and visitors’ bureau. One particular restaurant looked very appealing and the on-line reviews were all outstanding. Just like she had encountered at many popular restaurants, reservations were mandatory, along with a nonrefundable non-changeable payment for her entire meal in advance.

There were so many things to do and see that the choices would be difficult. However, the opportunity to sample before selecting made the decisions a little bit easier. The Bayside Marketplace and the Miami Metrozoo were definitely on her list of things to do, along with a round of golf and a little Sun and scuba diving off Miami Beach. After quick virtual tours through a couple of boutique hotels in the heart of Miami, she selected the perfect spot to unwind. Life on the road was still hectic, but it was a lot more fun than it used to be.

Only one more decision to make and then she could pack her bags. The final stop on her business trip would be Atlanta, and she still had to get to Miami and back to Atlanta for her flight home. Which would be more fun: the peace and quiet of a train ride with speeds of over 300 miles per hour or a shuttle flight in one of the new wide-body jets with 1,000 other weekend travelers? Technology was definitely changing, but the planning, adventure, and fun of traveling were still the same.



*The future of the world's largest industry is in all of our hands.* Victoria/Fotolia

## Introduction

Peering into the future of travel and tourism is similar to looking into a cloudy crystal ball. We may not be able to bring the future into a clearly focused picture for you, but the bright light of a growing industry is glowing from the center of our crystal ball. The knowledge you have gained through studying the information in this textbook has given you a sound foundation for thinking about the future. Based on this knowledge, you can begin to see some of the challenges and opportunities the tourism industry will face. As you look to the future, can you see yourself becoming a professional member of this industry?

In this chapter, we gaze into the future by considering some of the emerging trends in the tourism industry. These trends may shift and new ones may emerge, but thinking about the future allows you to plan for it. As you read about each of the trends, think about the changes you see happening around you and imagine what the world of tourism might be like 5, 10, or even 20 years from now. No matter how much uncertainty the future holds, there is good news. There will always be the need for talented professionals to tackle the management, marketing, and financial challenges of this growing industry.

## The Shape of Coming Tourism Markets

You read about many of the important tourism market segments of today in Chapter 2. Will these segments still be as important in the future? There is no question that tourism markets will change, but what will these markets look like? Two possible scenarios are beginning to unfold. One scenario points to mass markets and a “one-size-fits-all” approach to delivering tourism services; the other points to highly focused services that are targeted toward meeting the needs of specific market niches.

In countries growing in economic strength, such as Poland, India, Russia, China, Panama, Vietnam, and Brazil, many tourism services will be developed to meet the needs of mass markets. We will see this type of development as levels of disposable income, leisure time, and infrastructure improvements in these countries encourage tourism growth.

Increased economic activity will lead to increased levels of leisure travel both domestically and internationally. As more citizens of the world discover the enjoyment that comes from tourism activities, increasing participation in travel will drive the development of new facilities and services. The highly populated, newly affluent countries of China and India will dominate the market as the top two countries for outbound tourists, supplying the world with a huge demand for travel services. There will also be a large flow of VFR tourists to these countries as former emigrants return to visit relatives in the “homeland” and to learn more about their heritage. Unlike their American and European counterparts, who seek arts and architecture, and active travel experiences, Chinese and other Asian-born tourists are most likely to be motivated to travel to shop and experience cultural values of group engagement, learning, and promote geopolitical aspirations.<sup>1</sup>

Tourism markets will probably take a very different path in developed countries such as Canada, France, Germany, Japan, the United Kingdom, and the United States. In these countries, we will continue to see mass-market tourism, but marketers will continue to refine and even “tailor-make” their service offerings to meet the needs of increasingly demanding and sophisticated travelers.

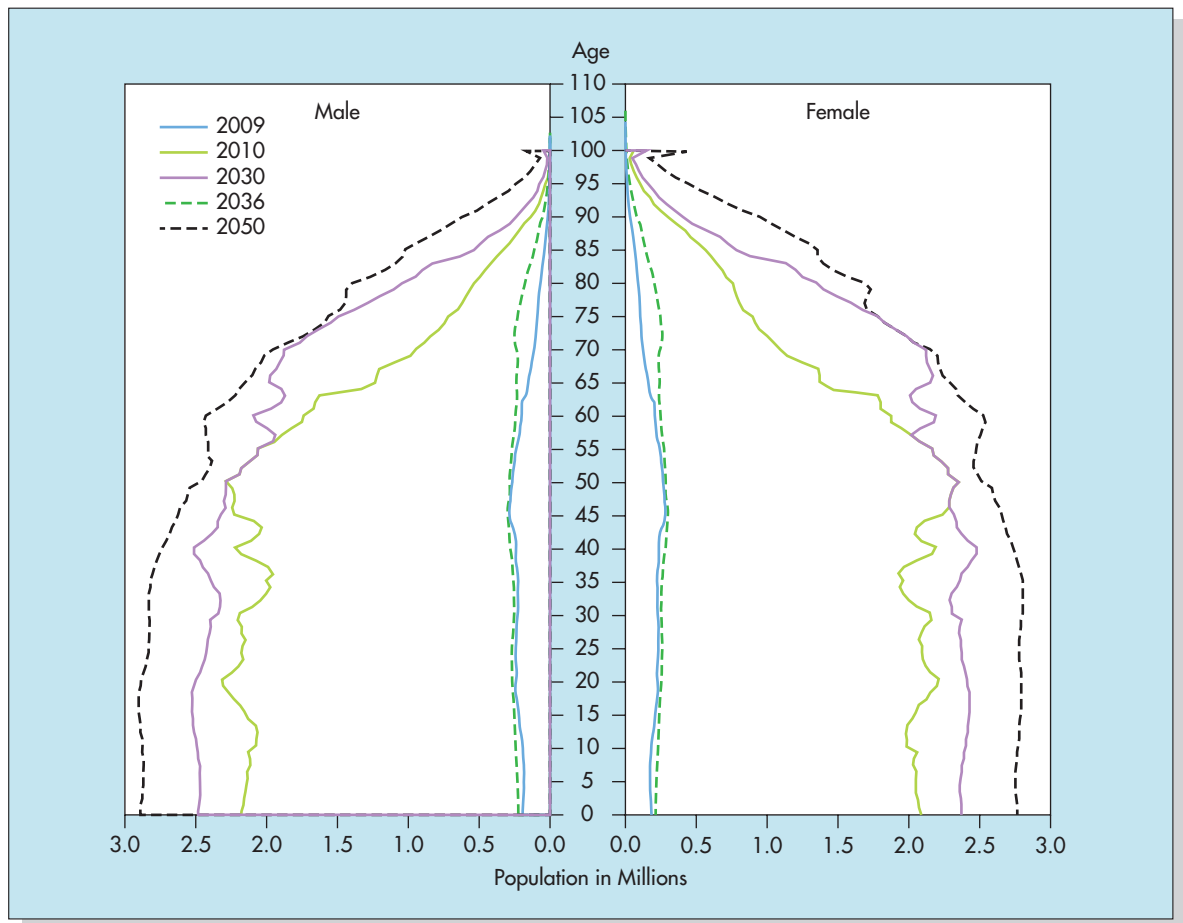
## Demographic Shifts

One of the biggest changes that will occur in the tourism market in the 21st century will be the increasing size of the mature traveler segment. The baby boom generations, those tens of millions of post-World War II babies born between the years 1946 and 1964, are retiring in record numbers. As you learned in Chapter 2, mature travelers are a very important tourism segment because of their affluence and ability to travel at any time of the year. By 2050, 34.9% of the U.S. population will be 55 or older, compared with 26.7% in 2010.<sup>2</sup> According to *Statistics Canada* and the U.S. Census Bureau, Canada will see an even larger increase in its mature traveler group, and the retirement age population in Japan is also exploding. This explosion in the number of senior citizens is happening in virtually all industrialized countries of the world. Consider the potential effects on tourism of the demographic age pyramids represented in Figure 14.1.

Baby boomers are already the most likely **age cohort** to travel.<sup>1</sup> As retirees, they will be even more likely to travel than their parents and grandparents were, and they will be somewhat different in their tourism interests. Senior baby boomers will be healthier, better educated, and wealthier than seniors of previous generations. The increasing number of SKINs (Spend Kids’ Inheritance Now), who are not willing to save their financial assets for their children, have contributed to a growing market of longer holidays.<sup>3</sup> Many will have already traveled throughout their country and in foreign lands, often as students or businesspeople. Therefore, they will be seeking new and exciting adventures in their future travels.

So what can we predict about baby boomers’ travel needs once they achieve senior citizen status? First, they will use computers and their smart phones as a source of travel information (both before and during their travels) and reservations and booking. Although they may not be as “connected” as their children and grandchildren, most baby boomers are technologically savvy having owned and used computers for decades. Second, they are likely to be interested in vacations that include a big dose of healthy food, exercise, intellectual stimulation, and the great outdoors. Because they have been health conscious all their lives, the baby boom generation will be a very physically active group of senior travelers. They will probably place more importance on doing and being immersed in destinations rather than simply seeing attractions. Many will have already “been there and done that” during trips when they were younger, so baby boomer seniors will want to go to new destinations that offer different things to experience and learn.





**FIGURE 14.1**

Population projections—2050. Sources: Statistics Canada and U.S. Census Bureau 2008. Statistics Canada. Review on February 27, 2012. Retrieved from <http://www.statcan.gc.ca/pub/91-520-x/91-520-x2010001-eng.pdf>.

Many baby boomers will want to travel with their children and grandchildren. Because so many families live far away from relatives and have so little common leisure time, vacations have already become family reunion time. In addition to more, longer-living grandparents, there are fewer children and grandchildren due to falling birth rates. As grandparents have more leisure time and parents lead increasingly complicated lives, a new phenomenon, called “grandtravel,” that finds grandparents and grandchildren traveling and holidaying together emerged and will continue to grow. According to the Travel Industry Association of America,<sup>4</sup> 30% of U.S. leisure travelers who are grandparents have taken at least one vacation with their grandchildren. Cruises, timeshares, resorts, and extended-stay and all-suite hotels are well suited to meet the needs of extended family getaways. In addition, second homes will become more common as a form of accommodations at destinations as baby boomers retire and can afford seasonal homes or desire options for extended stays (remember Homeaway and VRBO from Chapter 7). Unlike in the past, retirees not only will flock to warm climates (snowbirds) but also will purchase in adults-only communities in other resort areas such as island destinations in the Caribbean, Hawaii, the Maldives, and Mediterranean; and the mountain regions in the U.S., France, and Germany. Many of these second-home communities will offer assisted-living services and local travel opportunities.

More baby boomers will be single in their golden years because, as a generation, they have been less likely to re-marry and more likely to divorce. As people's attitudes toward marriage and singleness change, more individuals choose to stay single or get married later in their lives. By 2020, it is projected that 28.6% of all households will be composed of single persons.<sup>5</sup> Combine this with the fact that singles spend more on themselves than those living with others; the future looks bright for leisure markets.<sup>6</sup> In fact, the main purchasers of Lonely Planet guides are single, middle-class females.<sup>7</sup> For some companies, such as the Explore Worldwide, single travelers are their core market. Research shows that most solo travelers actually have friends and family with whom they can travel, but they prefer to travel by themselves.<sup>8</sup> When traveling by themselves, single travelers often feel a sense of freedom and strong urge to take part in activities, such as adventure holidays and extreme sports, that they would not do if traveling with others.<sup>9</sup>

A **single traveler** is defined by the U.S. Travel as a person who lives alone and travels with or without a companion. Single travelers literally come in all shapes, sizes, and life circumstances. An 18-year-old college student on spring break in Fort Lauderdale, Florida, qualifies as a single traveler, as does an 80-year-old widow enjoying a luxury barge tour on the great rivers of Europe. As suggested by research, even married people sometimes prefer to holiday on their own to escape the other half!

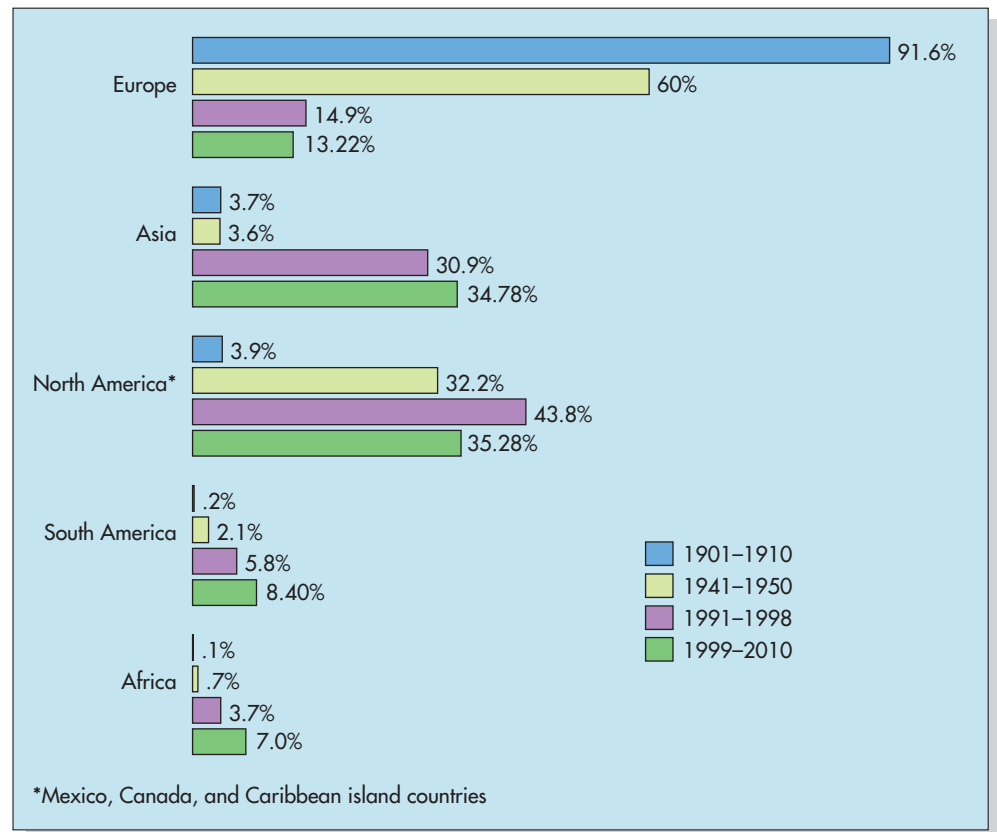
Single travelers may not travel alone because traveling alone can be extra costly. Most tours, all-inclusive resorts, and cruise lines charge a **single supplement** that ranges from an additional 25% to 100% more than the per-person price a couple would pay. The Internet is now making it possible for single travelers to find acceptable roommates so they can avoid the single supplement premiums and meet new friends.

Baby boomers will continue to use travel to meet other single people and to fulfill social needs. Savvy tour companies and travel agents will set up travel companion matchmaking services so that boomers do not forgo travel for lack of a travel buddy or owing to expensive single supplement prices for cruises and tours. Grand Circle Travel, a tour operator, has already taken steps to aid the single traveler by offering shoulder season tours that have no single supplements.

Research has shown that senior baby boomers' main travel motivations in descending order were to experience Sun/beach location, visit family and friends, and then participate in nature adventures. These were followed by secondary drivers including wellness, spa and health treatments, and city trips. It is also interesting to note from this research that these seniors having good income and health are likely to travel more extensively in the initial years, and then for long distance travel and international travel to decrease as they age. As the aging process continues, the number of short trips associated with health and well-being will increase.<sup>10</sup>

Another demographic shift, which will have an impact on international travel especially, has been the shift in the ethnic mix of North America. During the 19th and first half of the 20th centuries, most immigrants to the United States and Canada were Europeans by birth. These ethnic groups enjoyed traveling to their mother countries and fueled transatlantic tourism in the 20th century. But the majority of immigrants during recent decades have come from Latin and Central America, Asia, and former Soviet Union nations (see Figure 14.2). These individuals, as they become more affluent, will also want to visit the lands of their heritage, generating a substantial increase in travel to their homelands.

These demographic shifts are bad news for some tourism suppliers. Snow holiday resorts will experience a double negative effect. Baby boomers and their parents who have been ski resorts' mainstay market segment are giving up skiing as they age, and unfortunately, many did not turn their children on to the sport. In addition, winter sports have been primarily the pastime of Northern and Western European ethnic groups. These ethnic groups are shrinking as a percentage of the population of the world. Unless members of the growing Asian and Hispanic ethnic groups can be enticed to learn and participate frequently in winter sports, substantial shrinkage in participation rates will occur in the next 25 years.

**FIGURE 14.2**

U.S. immigration countries of origin through the early 21st century. Sources: *1998 Statistical Yearbook of the U.S. Immigration and Naturalization Service*. Washington, DC: U.S. Government Printing Office; and *2010 Yearbook of Immigration Statistics*. Washington, DC: U.S. Department of Homeland Security.

Although skiing has decreased in popularity (although being replaced in part by snowboarding) in the traditional ski countries in North America, Europe, and Japan, investment in ski resorts continues, and there is development of ski domes at retail malls. The future may see partnerships between North American and European ski companies to bring the classic resorts of Europe into the 21st century. Resort developers are hoping the snowboarders of today will convert to skiers as they age. Future challenges for snow holiday resort developers will be primarily environmental. Growing concerns about human pollution and traffic congestion are being raised whenever and wherever resort expansion is proposed. In the future, resort management and developers will need to develop more environmentally conscious operations. Whistler Resort in British Columbia, Canada, already has an environmental manager as part of its full-time staff.<sup>11</sup>

The focus will be on development of winter sports resorts, not limiting the market to skiing and snowboarders, as well as the development of winter theme parks that offer plenty to do for the expanding nonskier market. Traditional winter season resorts will also expand their entertainment and sports offerings during the other three seasons of the year. There is a need to look at the mountain as a year-round tourism resource and add other desirable alternatives, such as guided nature hikes, cycling adventures, and paragliding.

Other members of the tourism industry that will need to change to sustain revenues are theme and amusement parks. The likelihood of visiting a theme park goes



*Preserving the past becomes more challenging as the number of visitors increases.*

Photo by Thomas Sun

down after age 44, so as the average age of the industrialized countries' populations increases, either theme parks will see reduced attendance numbers, or they will need to modify their offerings to appeal to older visitors. You can expect to see theme park growth in some expected locations such as China and Dubai as people seek to travel, but maybe not as far away from home, to experience new adventures, especially virtual reality options, in comfortable and familiar surroundings.

At the same time theme parks are appealing to an older crowd, they will need to strike a delicate balance as they need to cater to millennials who are current and future patrons with their families. "They're looking for a collection of different kinds of complementary experiences rather than just one main event. . . . 'Curating the experience' is the process of customizing an encounter and controlling how it is shared with the world. This is as simple as choosing a filter on Instagram, finding the right emoji to include in a status update, or hashtagging a tweet" (p. 41–42).<sup>12</sup> These 16 to 34 year olds who have grown up in a tech-savvy digital world are our future customers!

## Travelers with Disabilities and Special Needs

Physical ability is an important determinant of travel. Travelers with disabilities and special needs might have minor limitations, from slight hearing impairments to major mobility obstacles such as confinement to wheelchairs. The United States took the lead to increase accessibility substantially for all by passing the Americans with Disabilities Act in 1990. Since that time, access to most major tourism resources and services has greatly improved within the United States. However, access is still a major issue in other countries of the world and seriously restricts the ability to travel for tens of millions of people. The proportion of the world's population that has disabilities will surely grow as the average age in industrialized countries continues to rise.

The Society for Accessible Travel & Hospitality estimates that about 70% of adults with disabilities travel at least once a year. With the increasing size of the mature

traveler segment, accessible travel will become more and more of an issue. Although seniors the world over are likely to continue their interest in travel and new sights and experiences, they will begin to have special needs owing to changing health.<sup>13</sup>

Some forward-thinking organizations are already stepping up to better serve those with special physical needs. By 2005, Avis had introduced Avis Access in its top 100 markets. This program featured a variety of specially equipped cars and vans that make renting a car a possibility for many who have not been able to rent in the past. These special cars offer such useful additions as swivel entry seats and hand (as opposed to foot) controls. Microtel Inns and Suites started a new training program called Opening Doors to enhance service to those with disabilities. Most cruise ships, either by their new designs or through retrofitting, now afford the use of mobility scooters so that those with limitations can easily traverse the huge decks.

As tourism promoters and service suppliers develop visitor opportunities, marketing plans, and operational strategies to serve this growing market; they will grapple with issues of accessibility and accommodation. These issues will center on understanding differences between the concepts of handicapped accessible and handicapped friendly. It is obvious to disabled and special needs travelers that many organizations have utilized able-bodied individuals to plan their service offerings.

The Internet will be an excellent way for those with special needs to find suppliers who will accommodate them. Sites such as [wheelchairsonthego.com](http://wheelchairsonthego.com) (which includes a list of accessible fun places in Florida) will become more common in the future. Hotels, attractions, and other suppliers will feature virtual tours of accessible areas to convince the physically challenged that they too are welcome to enjoy the services of the tourism operator. In addition, and possibly the most important thing that tourism service suppliers will do is to rely on persons with specific movement disorders to help design their services. For example, when hotel operators see that a person who is actually disabled and using a wheelchair rather than someone who is not disabled and simply sitting in a wheelchair to see how it feels when testing rooms will soon realize that it is very difficult if not impossible to transfer from a wheelchair into a bed that is higher than 24 inches or use bathroom facilities with only one grab bar.

## Changes in Business, Professional, and Conference Travel

What will happen to the ever-important business and professional travel segment of the tourism market? That is where our crystal ball becomes particularly cloudy: Current trends support the possibility of a decrease or an increase in business and professional travel. Trends in communications, such as computer networking and satellite video image transmission, seem to indicate that business travel will become less necessary. Technological advances allow businesspeople to see each other and share information as if they were in the same room, but will virtual contact replace face-to-face meetings?

For example, technological improvements in **virtual conferencing** could slow the rate of growth in business and professional travel. Improvements now make virtual conferencing (as simple as Skype and Facetime) just as convenient and easy as a telephone conference call. Since it is now possible to link participants at multiple sites with high resolution audio and video quality (creating the sensation that they are present), the need for some travel has been reduced, but this easy familiarity is creating the need for other types of travel.

Think about the potential for an international media company such as Pearson, the publisher of this textbook. Sales representatives from each of its geographic regions within the United States, for example, can meet regularly at a designated virtual conferencing center within their region for product updates, and meet virtually with members of other regions or countries on a quarterly basis for marketing updates and training. Travel may



still be involved as the power of personal contact and networking can never be underestimated, but by gathering its sales force at regional sites, Pearson could increase efficiency by saving on both travel expenses and time. Where will these virtual conferencing centers be located? The logical locations are those properties—conference centers, hotels, and resorts—that can afford to build and equip quality virtual conferencing facilities. This may in turn lead to more travel, although it may be for shorter distances and durations.

Even though virtual conferencing may help to control travel expenses, more and more companies will be doing business with firms across the world. Representatives of these organizations may feel the need for face-to-face meetings to build trusting relationships that can come only from sharing time together. North American businesspeople in particular are being forced by economic necessity to work with other businesspeople from Asia, the **Pacific Rim**, Central and South America, and former Soviet Union nations. In all these locations, trust is the primary foundation for business transactions. These relationships can be developed only by spending time together, sharing meals, and getting to know one another. Because this type of relationship building requires time and face-to-face interactions, it is unlikely that technology will override these cultural factors and the need for face-to-face relationship building opportunities.

Our best guess is that travel for business and professional reasons will continue to increase in spite of further advances in communication technology. Doing business in the future will involve more, not less, collaboration with others. Some of this increased need for interaction among businesses will be satisfied with telecommunications. However, as Myra noted in our chapter opener, there is no substitute for the personal contact that requires physical travel and meeting with others face-to-face. Yet, business travelers will increasingly find opportunities to tuck on a little personal rest and relaxation with their business duties.

We predict that the most popular types of conferences in the future will not be business related but instead will focus on personal lifestyles and interests. Growth in number of conferences and attendees will most likely come in the form of meetings on organized religion, self-improvement/education, hobbies, civic topics, alumni reunions, and politics. This trend began in the 1990s when 20% of U.S. citizens traveled to non-business conference events.<sup>14</sup>

## Emerging Tourism Markets

What tourist activities will be the favored pastimes in the future? We have already mentioned several of the broad tourism trends shaping the face of the industry in previous chapters. Now we will turn our attention to some specific segments that hold promise for future growth. As one travel professional noted, “[r]ather than sit on a beach and sip a mai tai, there is a move among travelers to engage themselves in the people and places they visit” (p. 4L).<sup>15</sup> In a world where many travelers have “been there and done that,” there is a growing desire to do something special or participate in life-changing activities. While there is no question that some specialized niche markets such as slum tourism<sup>16</sup> and dark tourism<sup>17</sup> have evolved, several larger and growing markets should be of interest to all tourism service suppliers.

### Slow Tourism

**Slow tourism** vacations will develop as an important niche segment of the tourism industry to meet the need of travelers looking for a very different experience. To escape the 21st-century “accelerated” life, more and more travelers will opt out of high-activity vacations, instead preferring trips with a slower pace than they experience in everyday life, allowing time and opportunities for immersion. These vacations will involve all the five senses and be designed with the goal of experiencing people and places. Research shows that those involved in slow tourism are seeking revitalization and self enrichment.<sup>18</sup>

This trend suggests that health spas, “zones of tranquility,” rural destinations, food tourism venues, and cultural tourism opportunities in general will see an increase in popularity. In addition, single-destination, as opposed to multideestination, trips will be preferred by travelers seeking the immersion of the slow tourism experience.<sup>19</sup> A preferred slow tourism vacation might be a two-week cottage stay in a rural Irish town, walking the green hills and ocean bluffs, soaking in the ambiance of local pubs, and meeting and mingling with the townspeople. “Home-stay holidays” are popular in some countries that offer the opportunity for tourists to live with a family for a period to gain a perspective that is usually not available to casual tourists. Spiritual or religious tourism has also grown rapidly as part of the experience-driven holidays. Spiritual retreats have been offered by historic or religious sites to help tourists enrich their vacation experiences.

## Adventure and Extreme Tourism

Adventure travel is defined as a “trip or travel with the specific purpose of activity participation to explore a new experience, often involving perceived risk or controlled danger associated with personal challenges, in a natural environment or exotic outdoor setting” (p. 343).<sup>20</sup> Like ecotourism, adventure travel focuses on experiencing, not sightseeing. Adventure travel is often split into hard and soft forms, and participants are called hard and soft adventure travelers (see Table 14.1).

Hard adventure tourism encompasses activities that involve above-average elements of physical challenge and risk. Because of the potential danger involved in many of the hard adventure activities, such as mountain climbing, highly experienced guides often “choreograph” much of the trip for the tourist group.<sup>21</sup>

Recently, researchers have tried to describe the breadth of adventure travelers. Table 14.2 highlights the results of one such attempt that reported the psychodemographic description of six “types” of adventure travelers. Note that three of the segments are primarily soft adventure tourists, whom we might call the mainstream of adventure travel. Many of the hard adventure tourists in the general enthusiast and active soloist categories are probably GRAMPIES, a term for men “who are growing, retired, and moneyed, in good physical and emotional health” (p. 208).<sup>22</sup>

It is estimated that by 2040 over half of the population in the developed world will be over fifty. This means more people in good health with a more informed global perspective—more GRAMPIES—thus more adventure tourists. The lines between adventure and mainstream tourism will become less clearly defined. Adventure will become more

## FYI WALKABOUT TOURS

The preferred guided tour of the future may not be conducted via motorcoach but instead via the oldest form of transportation: on foot. Recently there has been a boom in the number of tourists taking walking tours. What is driving this phenomenal growth? One reason is that walking is now the most popular form of exercise among adults. Another is that walking tours can run the gamut

from extreme tourism for serious trekkers to “soft adventure” tourism for families or mature travelers. Walking tour packagers also offer a variety of accommodations and meal plans: rustic for the ecotourist segment through luxurious for the walker who wants to be pampered at the end of the trail.

What better place to find this type of tour than Australia? Blue Mountains

Walkabout, founded in 2000 by an Aboriginal Discovery Ranger, takes guests into the bush of Dharug country for an immersion experience. On this daylong program that involves about four hours of walking, participants are encouraged to use all of their senses, meditate, and slow down. Discussions about culture bring everything they see, touch, hear, smell, and taste to life.

*Sources:* Based on Eastwood, Ken. (2007, October–December). Blue Mountains Walkabout, NSW. *Australian Geographic*, (88), 79; Gonzalez, Isabel C. (2004). Taking a head trip. *Time*, 163(113), 84.

**Table 14.1** Adventure Travel Activities

Examples of Soft Adventure Travel Activities	Examples of Hard Adventure Travel Activities
Camping	Rock climbing
Hiking	Skydiving
Canoeing	Mountain climbing/trekking
Bicycling	Rapids rafting/kayaking
Walking	Sea kayaking
Snorkeling	Ice climbing
Horseback riding	Scuba diving
Snow or water skiing	Mountain biking
Bird/animal watching	Cave exploring
Off-road driving	Cliff skiing/snowboarding
Sailing	Triathlons
Photo safaris	Multisport endurance challenges
Dude ranching	

accessible and achievable for more people. Moreover, adventure holidays will become more attractive as the collection of experiences begins to undermine the more materialistic elements of consumer society.<sup>21</sup>

During the next decade, the softer adventure activities will increase in popularity to the point that most mass tourism trips and tours will include at least one of the activities listed in Table 14.1. Think back on your last vacation. In which of the listed activities did you participate? As you can see, using this more relaxed definition of **adventure tourism**, a family skiing in the mountains of Alberta during a school vacation week would be classified as adventure tourism. Cruise lines have already found that mixing laid-back relaxation with more adventurous activities has allowed them to reach a broader market of potential cruisers.

**Table 14.2** Segments of Adventure Tourists

<i>General enthusiasts</i> (about 25%)—Most likely to take experiential/participatory adventure trips. Mostly male, college educated, with above-average income. Prefer hard challenge activities.
<i>Budget youngsters</i> (about 20%)—Young, single, with low income. Most likely to take adventure trips with friends instead of family.
<i>Soft moderates</i> (about 10%)—More likely to be older, well-educated women. Prefer soft adventure activities such as hiking, nature trips, and camping. Most likely to take package trip.
<i>Upper-high naturalists</i> (about 15%)—Middle aged and married with the highest incomes of any type. Prefer softer forms of adventure travel with emphasis on more distant exotic locales, such as Africa and Asia. Most likely to travel on long-duration trips and spend a lot per trip.
<i>Family vacationers</i> (about 15%)—Heads of households from dual-income families who travel with entire family. Prefer carefree vacations at least partially planned by operators.
<i>Active soloists</i> (about 15%)—Both young to middle-aged men and women who prefer traveling alone or with members of some organization. The most likely to travel on an all-inclusive package and pay the greatest amount for trip.

Source: Sung, Heidi H. (2004). Classification of adventure travelers: Behavior, decision making, and target markets. *Journal of Travel Research*, 42(4), 343–356.



*Tomorrow's travelers will look for new extremes.* Philip Gatward/Dorling Kindersley, Ltd

**Extreme tourism** (a subset of adventure tourism) encompasses activities that involve above-average elements of physical challenge and risk. Growth in extreme sports and other extreme activities will continue in the future. Although younger, professional/managerial, single men are most likely to seek extreme thrills, baby boomers and young women are fast-growing subsegments for this market.

Why are these more dangerous activities gaining in popularity? One reason offered by industry leaders is that these sports have been spotlighted and glamorized in the media, including motion pictures. Another reason suggested is that we are so coddled in our everyday world—from tamper-resistant packaging to self-braking cars—that people want to feel that physical rush of danger, even if the rush comes more from the appearance of living on the edge than from actual terror. Growing demand for extreme activities is also driven by increasing affluence and the increased safety and better equipment of many of the sports. To some extent, tried-and-true activities and attractions have become boring because they are so familiar to so many.

Adventure and extreme sports are typically outdoor or wilderness sports and go hand-in-hand with ecotourism. A sea kayaking trip off the coast of Costa Rica or running from the north rim of the Grand Canyon to the south rim of the Grand Canyon and back again in one day qualifies as both ecotourism and adventure tourism. Tourism suppliers, especially tour operators, will create at least two different ecotourism packages. One ecotourism package will be more educational and observational, whereas the other will be more physically challenging, including one or more extreme sports.

## Medical Tourism

**Medical tourism**, travel to other countries to receive treatments, is becoming very popular. Many already travel for cosmetic surgery or dentistry, experimental drug/surgical treatments, or because treatment is either unavailable or untimely in the country of their

residency. In addition to people traveling from high-income countries to low-income countries to seek cheaper medical products, patients from low-income countries travel to high-income countries in search of better care. The estimated gross medical tourism revenues of \$40 billion worldwide in 2004 will increase to \$100 billion by 2012.<sup>23</sup> With a growing number of health travel agencies, it is becoming easier for travelers to schedule everything from complete physicals to complex surgeries more confidently.<sup>24</sup>

In Singapore, some hospitals and hotels are partnering to offer packages that combine a hotel stay with a treatment package. Thailand's Tourism Ministry has aided the development of packages marketed to rich Arab patients. These packages feature shopping, sightseeing, and other activities for family members who are traveling with the loved one who is receiving treatment. The governments of South Korea and Taiwan are launching campaigns to promote medical tourism services in their countries. In an interesting twist, Indian nations in Canada are developing private hospitals so fellow Canadians can circumvent the Canadian ban on private-pay medical services by traveling to tribal lands where such laws do not apply.<sup>25</sup>

## Vocation and Real Estate Tourism

Very specialized niches are being served and should grow as tourism service suppliers strive to meet ever-changing needs and expectations. Culinary and heritage tourism definitely fit the concept of travel with a purpose, but new niches are appearing that do more than fulfilling physiological and psychological needs. For example, **vocation tourism** and **real estate tourism** are being marketed to meet travelers' needs seeking to combine pleasure with accomplishment.

Vocation and real estate vacations are catching on as travelers seek personal and often tangible benefits by combining relaxation and new experiences into practical leisure-time packages. On a vocation vacation, travelers take time to experience possible new careers before actually making career changes. You can think of these trips as being mini-internships. On a real estate vacation, travelers spend their time gaining in-depth knowledge and perspectives about the area from scheduled meetings with local experts while searching out potential investment opportunities or a second home.

## Space Tourism

Someday in the not-too-distant future, we may be able to fly halfway around the globe in just minutes thanks to developments in scram jet engine technology that will allow for hypersonic flights. We have already witnessed the advent of space tourism as civilians have joined the ranks of astronauts on space voyages, but the numbers of space travelers will surely grow in coming years as hypersonic travel becomes a commercial reality. Just think, hypersonic travel made possible by scramjet engines will allow passengers to travel from New York to London in 11 minutes at an incredible speed of 18,000 miles per hour. This is not science fiction, as engineers around the globe are working on perfecting scramjet technology.

Space travel became a reality when the first space tourist, Dennis Tito, paid for a seat on a Russian Soyuz rocket and spent a week at the International Space Station in 2001 and this experience was repeated by Mark Shuttleworth the year after. The future of space tourism became a reality in 2004 when famed aircraft designer Burt Rutan and his team, with funding from Paul Allen, a Microsoft pioneer, was the first to successfully launch a privately developed manned spaceship, SpaceShipOne. They subsequently won the \$10 million Ansari X-Prize granted to the first team to launch two successful manned space launches within two weeks of each other. The team's invention gave Richard Branson the confidence to make the significant investment required to commercialize the prototype technology, thus creating the world's first spaceline, Virgin Galactic.



The spaceline is taking reservation at a ticket price of \$250,000. There are about 500 people who have signed up for a seat on the flight to the space. While Virgin Galactic continues their testing phase, new competitors have joined the market including XCOR Space Expeditions, Space Adventures, and SpaceX and there is now a modern day space race to see which company will be the first to complete a space tourism mission.

## Marijuana Tourism

The possession and consumption of marijuana has varying degrees of legality in different countries. Some international destinations, such as the Netherlands,<sup>26</sup> are known as marijuana tourism destinations. Drug tourists are motivated in a number of ways: the desire to experiment when traveling, marijuana consumption as a recreational activity, the search for authenticity in a destination, and access to legal marijuana.<sup>27</sup> In the United States, Colorado and Washington were the first to legalize recreational marijuana in 2014 and while other states have been quick to follow, research is being done to help navigate the challenges of how to manage and regulate a substance that is still illegal in the majority of states within the country. In Colorado for example, there are policies in place to manage marijuana consumption by tourists as they are only allowed to purchase 7 grams in a single transaction while Colorado residents can purchase 28 grams (or one ounce).<sup>28</sup> It is still illegal to consume marijuana in public spaces or take marijuana products across the border into a state where it is illegal.

Many marijuana tourism businesses have seen the emerging market as an opportunity and have developed new products and services to meet their needs. Marijuana tour companies such as My 420 Tours,<sup>29</sup> which was an early innovator in the Denver area, offer education and transportation from grow facilities to recreational shops to 420 friendly hotels where they have partnered to provide vaporizers so tourists are able to consume marijuana in rooms that typically do not allow smoking. The lack of legal accommodations options has been an obstacle for marijuana tourists though new business ventures such as “bud and breakfasts” and cannabis camps have recently been entering the market and meeting their lodging needs.

The Colorado Tourism Office (CTO) had early concerns about whether legal marijuana would turn away families that had historically been drawn to the state’s image as a place for wholesome outdoor recreation. As a destination management organization, the CTO is publically funded by tax dollars and their position was to avoid the promotion of marijuana tourism in any CTO marketing material. Research was conducted to understand the complexities of marijuana tourism as a new industry to understand whether legal marijuana was bringing more people in to the state or turning them away. The findings of marketing research study by Strategic Marketing and Research Insights (SMARI) indicated that in 2015, 8% of tourists visited a recreational marijuana shop during their stay.<sup>30</sup> It was concluded that legal marijuana is not the primary reason why tourists choose to visit Colorado and 65% of visitors in the study said that it would not affect their decision to visit.<sup>30</sup> Colorado and Washington may be experiencing a slight competitive advantage over destinations that offer similar attractions, but that advantage is likely to be temporary as more states have voted and will vote to legalize marijuana.

## Meeting Future Tourists’ Needs

All of the changes that have been mentioned will lead to two common forms of market segmentation. **Microsegmentation** and **mass customization** have been used for several years, but these two concepts will gain further use in the future. **Subsegments**, also called “microsegments,” are market segments that represent a relatively small group of consumers such as Californian young professional Asian Americans or Manitoban

back-country fishing enthusiasts. As companies attempted to lure customers from competitors, they are developing product offerings to meet the needs of smaller and smaller market segments.

Mass customization is the extreme of microsegmentation. A company mass customizes when it produces a good or service to fulfill the unique needs of an individual buyer. An example of how these trends are being manifested in the tourism industry can be found in hotel developments in locations where real estate has become extremely high priced. In these settings, companies are dual or co-branding two or more hotel brands under one roof. It may seem unique to find a Courtyard and a Residence Inn by Marriott under one roof or a Hampton Inn and Homewood Suites by Hilton under one roof, but how about an Aloft, a Marriott, and a Hyatt Place under one roof. In addition to real estate cost savings, there are also operating efficiencies to be gained by sharing laundry, housekeeping, maintenance, and even amenities such as pools and fitness facilities. As companies strive to meet individual customer segments and real estate prices continue to increase, expect to see more co-branding. Tourism businesses in the future will definitely use both microsegmentation and mass customization to attract guests and meet their needs.

Mass customization will allow travelers to customize their service packages and travel itineraries. Hotels specializing in the business and professional segments are building rooms that can be **configured** to suit individual guests' needs for multimedia presentations, conference calling, telecommunications links, and so on. Tour companies will use mass customization to allow more flexibility in touring. As the tourism market becomes more competitive, the empathy component of service quality you learned about in Chapter 3 will become more and more important. Both microsegmentation and mass customization can add the personal touch of empathy to a tourism service. "As travel costs increase and as costs, restrictions, social pressures associated with greenhouse gas emissions and climate change continue to evolve, it seems likely that middle and down-market mass tourism will decrease or become more localized" (p. 66).<sup>31</sup>

One segment of the tourism industry, cruise lines, could face two unique and completely unrelated customer service challenges in the future. The first area of customer concern deals with a perception by some cruisers, especially first time cruisers, that they are being "nickled and dimed" while they are onboard. With additional charges for mandatory gratuities, both soft and alcoholic beverages, photographs, upcharges for specialty restaurants, specialty coffees, and convenience food choices, the marketing promise of an "all inclusive price" may start to be questioned. This "sticker shock" realization on the day of disembarkation is especially true for many first time cruisers. The second, and unrelated concern, also occurs on the day of disembarkation. As larger and larger ships are being put into service current procedures and port terminal facilities are not adequate to efficiently move cruisers off the ship and through the terminal. Technological improvements

## FYI MASS CUSTOMIZATION = PERSONALIZATION

The Ritz-Carlton luxury hotel chain is taking the concept of mass customization seriously. Guest preferences are entered into the hotel database so that service during return visits can be more personalized. For example, if a guest requests a

hypoallergenic pillow, for her next stay, housekeeping will make up her bed with that type of pillow without waiting for a request. And if a guest eats only the complimentary peanut butter cookies (for going the chocolate chip and sugar cookies), he will receive

more peanut butter cookies during subsequent stays. A guest checking into the Orlando Ritz-Carlton receives an empty glass to be filled with his or her favorite citrus juice courtesy of a Citrus Concierge. Talk about making a guest feel at home!

Sources: Based on Brown, Tom. (1996). Efficiently serving customers uniquely. *American Management Association*, 85, 60–61; Braley, Sarah J. F. (2002). The new concierge. *Meetings and Conventions*, 37(11), 14.

such as the use of RFID for passenger identification could easily speed up the disembarkation process, but then a bottleneck would quickly occur in the terminal facilities. To alleviate this problem, significant investments will need to be made in these facilities similar to those that had to be made as the airlines put larger and larger aircraft into service.

## Transportation Transformations

Significant changes will be noticed in all forms of transportation. Speed and efficiency will increase thanks to advances in technologies and materials. Every form of transportation from automobiles to ferries will see change. For example, ferry transportation, which has been an old standby, should become more prevalent and popular in the face of increasing demands for energy efficiency. New high-speed ferries cut down on travel time by taking shorter across-the-water routes than land-based alternatives or over shorter routes that would be prohibitively expensive for air service. For example, introduced in 2004, the *Lake Express* ferries cross Lake Michigan from Milwaukee to Muskegon in just two and one-half hours.

Expanded rail service will also provide additional relief to crowded transportation corridors. Proliferation of high-speed rail service will be the hallmark of this transportation mode for years to come. Although speeds of 100 miles per hour are commonplace, plans are already being tested to produce trains that travel at much higher speeds. Magnetic levitation (Maglev) trains, especially on shorter high-traffic routes, will replace traditional track-based trains. Maglev trains generate their own energy from the friction created over their magnetic lines and will travel at speeds in excess of 300 miles per hour. As the convenience and comfort of magnetic levitation technology spreads from its experimental status to the norm for high-speed rail travel, more and more passengers will be drawn from the airports to the ground.

To get an idea of how efficient train travel could be, think about the following proposal. Brad Swartzwelter, a conductor for Amtrak, has suggested that the solution to transportation problems within the United States could be solved by underground trains. He proposes that tunnels be dug, connecting points A and B, and a magnetic levitation system be installed to carry travelers between these points at speeds up to 900 miles per hour. Future technological advances could lead to a transcontinental trip that could be completed in approximately three hours.<sup>32</sup>

In the meantime, in the United States and throughout the world, you can expect that more high-speed trains will be put into service as demand continues to be fueled by the efficiencies of point-to-point service in high-demand corridors prompted by fuel costs, security delays, and continuing customer-service problems at crowded airports. Noticeable increases in this type of service in China and India have been seen as the appetite for travel explodes.

Connector trains will become the norm for mass transit in densely populated corridors and as connectors for newly built airports. As you will see next, there will be a boom in new airport construction. In these new facilities, ticket counters, parking, and baggage checking will be located at substantial distances from the airports, which will be built far outside of urban areas to alleviate noise, road traffic, and airspace congestion. These new airports will become destinations in themselves, featuring a wide variety of entertainment options for locals and travelers alike.<sup>33</sup>

The future of air travel presents a picture that at first seems to be incongruous. As airline fleets are upgraded, these new planes will be larger or smaller, faster or slower, and be designed to fly more direct routes. First, you will see more of the double-decker superjumbo jets, the 555-seat A380, serving long-haul trans-Pacific and trans-Atlantic routes. These extremely large aircrafts can serve routes only between airports that have made infrastructure investments to handle the weight of the planes on the runways, and

the large number of passengers during arrivals and departures. At the same time you will also be seeing smaller planes, like the regional jets, as airlines are finding that it is more profitable to serve many markets through direct routes that can produce passenger traffic to fill planes with fewer than 100 seats. In an effort to conserve fuel, more and larger turboprop aircraft, with lower operating costs, will be placed into service, replacing jets.

Because of new technology, air traffic control centers may become a thing of the past. Pilots in the future will determine their own routes, aided by computers calculating their planes' and other air traffic positions each second. As a matter of fact, planes may fly without pilots. Most commercial aircraft already fly "pilotless" from just after takeoff to just prior to landing. Another new concept, tilt-rotor planes, may make it possible for aircraft to take off and land with little to no runway.

Increases in size and speed of aircraft will be absolutely necessary to satisfy future demand for air travel. While worldwide, 2.4 billion passengers were carried in 2010; this number is projected to grow to 16 billion by 2050!<sup>34</sup> The demands on aircraft and the supporting infrastructure will be enormous.

As for airline services, polarization in service offerings also appears to be the norm for the future. On one hand, the service in business and first class will continue to become more upscale and elaborate. Some long-haul first class suites now are configured like a hotel room, with a comfortable double bed and a seating area. Passengers can enjoy comfort and privacy while traveling. Most large airlines also offer menus designed by well-known chefs and wines selected by sommeliers. On the other hand, low-cost carriers will continue to expand rapidly, especially in developing countries where domestic and regional travel have grown and will continue to grow exponentially. When safety permits, on some short-haul flights, the least expensive "seats" will not be seats at all, as passengers will simply stand the same way they do on crowded subways during rush hours.

Finally, even with all of the improvements being made in other forms of transportation, automobiles will still be the most popular means of getting from one place to another, but they will definitely be more efficient. The future of automobile travel is already with us; all electric vehicles, hydrogen fueled cars, hybrid vehicles, and driverless cars will continue to shape the futures of our roadways. As technologies take over human decisions for driving and routing, roadways will also become safer.

## Moving into an Era of Competitive Cooperation and Consolidation

The tourism industry has historically been fragmented, with many different suppliers serving an ever-growing market. This fragmentation has resulted in varying levels of service, quality, availability, and pricing. At the same time, the traveling public has gained greater access to information and become more knowledgeable and demanding about tourism services, forcing managers to search for new ways to control costs and improve quality. As organizations respond to the converging demands of improving quality and controlling costs, we will witness an era marked by an increasing number of mergers, acquisitions, alliances, and cooperative agreements.

Just as the airlines led the way with innovations in reservation systems and revenue management, they are also leading the way through consolidations and mergers designed to gain market share and improve profitability. Smaller, less-efficient carriers were overtaken by larger, more efficient, and better-capitalized companies that could respond to changing consumer demands. The same type of trend is emerging across the tourism industry as other suppliers continue to consolidate. Several travel agencies, ground service operators, hotels, casino operators, cruise lines, and car rental companies are merging or have been acquired by larger rivals; as well. Similar combinations will continue and become more common as organizations seek economies of scale and broader name recognition across national and international markets.

Another trend that will move through the tourism industry is **cooperative alliances**, another concept that was pioneered by airlines to gain greater brand recognition and operating synergies. For example, the alliance between British Airways and American Airlines signaled the importance of gaining dominance in high-traffic corridors such as those serving the North Atlantic marketplace. However, the benchmark for airline alliances is the Star Alliance. This alliance, which was created in 1997 by six airlines with the intent of being the airline of the Earth, has since grown into a global giant, as can be seen in Table 14.3.

Airline alliances meet customer needs by delivering “seamless service”—simplified ticketing, better connections, thorough baggage checking, and frequent flyer reciprocity” (p. 73).<sup>35</sup> They also provide another important economic benefit by allowing airlines to gain access to landing slots and gates at already crowded international airports. More changes are on the horizon as the number of major participants in the airline industry continues to shrink and the remaining organizations increase their levels of cooperation.

**Table 14.3** The Star Alliance

Member Airlines	Major Hub Airports
Adria Airways	Ljubljana
Aegean Airlines	Athens, Thessaloniki, Heraklion, Rhodes and Larna
Air Canada	Toronto, Montreal, Vancouver
Air China	Beijing, Chengdu
Air India	Delhi, Kolkata, Mumbai
Air New Zealand	Auckland, Los Angeles, Sydney
ANA	Tokyo, Osaka, Nagoya
Asiana Airlines	Seoul
Austrian Airlines Group	Vienna, Salzburg, Innsbruck
Avianca TACA	Bogota, Lima, San Salvador, San Jose
Brussels Airlines	Brussels
COPA Airlines	Bogota, Panama City
Croatia Airlines	Zagreb
EGYPTAIR	Cairo
Ethiopian Airlines	Addis Ababa
EVA Air	Taipei
LOT Polish Airlines	Warsaw
Lufthansa Aviation Group	Frankfurt, Munich, Dusseldorf
Scandinavian Airlines	Copenhagen, Oslo, Stockholm
Shenzhen Airlines	Shenzhen
Singapore Airlines	Singapore
South African Airways	Johannesburg
Swiss International Air Lines	Zurich
TAP Portugal	Lisbon
Thai Airways International	Bangkok, Chiang Mai, Phuket, Hat Yai
Turkish Airlines	Istanbul, Ankara
United Airlines	Chicago, Cleveland, Denver, Houston, Los Angeles, Newark, San Francisco, Washington, DC, and Guam. International: Narita
U.S. Airways	Charlotte, Pittsburgh, Philadelphia, Phoenix, Las Vegas, Washington, DC

Source: <http://www.staralliance.com/en/> and each member airline webpage.



There is no doubt that the airline industry will also continue to cooperate as well as consolidate with more mergers between rival carriers both inside domestic boundaries and across country boundaries. The trend that began in the United States has already spread to Europe and Asia and will only pick up steam in the future. The “Open Skies” treaty between Europe and the United States set in motion the consolidation wave among previously competing airlines. With this treaty, consolidation between airlines no longer means losing lucrative international markets. The combined companies can keep their trans-Atlantic routes and they can fly out of any European city to the United States, not just from airports located in their home country. With these artificial barriers to competition being lifted, the urge to merge will definitely grow.

As we discussed in Chapter 8, the move toward industry partnerships is also accelerating in the foodservice segment of the tourism industry. Every link in the supply chain, from manufacturers and distributors to operators and customers, is being brought closer together to improve service and reduce operating costs. These efforts have been dubbed **efficient foodservice response**, or **EFR**. The partnership agreements that are evolving through EFR are providing lower food costs, fewer inventory errors, and higher levels of customer satisfaction and value.<sup>36</sup> Foodservice operators, especially franchise operators, will take advantage of the social networking capabilities facilitated by Web 2.0 through enterprise-level networking to share information targeted at improving purchasing and operating efficiencies.

There will also be an increase in **subcontracting** many functions needed to support guest services. Operations such as cleaning, laundry, and food service will be performed by outside contractors who can focus their attention on being extremely efficient in providing one type of service. In some situations, the operating company will own the facilities and equipment and rely on the expertise of outside contractors to provide and manage labor. In other situations, space will be leased to subcontractors, who in turn will make the investments in equipment as well as manage the entire operation. This trend is already becoming evident in the number of fast-food franchised outlets that are appearing in hotels, airports, theme parks, casinos, service stations, food courts in malls, and even cruise ships.

Destinations, while competing with each other, have also sensed the need to cooperate with nearby destinations to draw tourists to the region. Developing tourism without considering its impact on neighbors will increase substitution, leading to cut-throat competition and endangering the healthy tourism development in the region. The concept of “coopetition”—simultaneous competition and cooperation among rivals—originally coined in the 1980s by Raymond Noorda, founder of Novell, is an important philosophy or strategy that goes beyond the conventional rules of competition and cooperation to achieve the advantages of both.<sup>37</sup> Regional cooperation in tourism development, promotion, and planning could be a win-win situation for all parties involved with a long-term focus. The Eurail train pass is a long-standing example of how this type of cooperation can succeed. The Association of Southeast Asian Nations (ASEAN) can serve as another example of successful regional tourism cooperation. The ASEAN national tourism organizations (NTOs) have regularly carried out a number of campaigns to promote the region as a single destination. For example, as part of the ongoing Visit ASEAN Campaign, the NTOs have actively promoted the Visit ASEAN Pass and its corresponding web portal ([www.visitASEAN.travel](http://www.visitASEAN.travel)). The ASEAN NTOs have also facilitated travel within and into the region via air travel promotion and enhancement of cruise tourism.

## Service Enhancements

One thing is for sure, future service enhancements will revolve around technological advances, and the rate of change in these advancements will continue to increase. To get some idea of future technological changes, think back to the computers you used

at home, work, or school just five years ago. How fast could they operate? What software did they run? How were they linked to information sources around the world? What you thought was fast and efficient back then is slow and cumbersome by today's standards; and computing technology is just one facet of the technological changes that will shape the future of the tourism industry. Maybe the changes in service delivery won't come quite this fast, but change will definitely come. As we saw in Chapter 5, operators pursue increasing efficiency and effectiveness in everything they do from service delivery to customer connectivity. Although every effort will be made to enhance the guest experience, the human touch will remain the hallmark of hospitality.

## Amplifying Guests' Experiences

A glimpse of what may be in store for hotel guests in the future can be seen at the Fairmont Vancouver Airport hotel, where it is no longer necessary for guests to check in at the hotel's front desk. Check-in takes place in the airline baggage claim area, and the hotel arranges for bags to be delivered straight to the guest's room. Guests are greeted with a comfortable and cheery room as check-in also activates room lighting and temperature controls that stay in an energy conservation mode until a room is occupied. In-room motion detectors make "Do Not Disturb" signs a thing of the past, because the housekeeping staff can now time their cleaning activities for maximum customer convenience and satisfaction when guests are out of their rooms.<sup>38</sup> And, there are even more changes on the horizon. According to Tad Smith, Senior Vice President, e-Commerce, for Starwood Hotels & Resorts Worldwide, Inc.,

In [the future], your credit card will also have your frequent guest information imbedded in a computer chip. When you walk through the door of our hotels, you'll be automatically checked in, and your credit card will become your key. You won't have to stand in any lines at all. You're going to have an entirely personal experience in your hotel. Your computer screen will already be configured to your homepage with your e-mail waiting for you (p. 64).<sup>39</sup>

Hotel guests now can even check in and select their own room using apps on their smartphone and then use their phone as a room key and payment device. Hotels have also begun to employ robots to run errands for guests, such as delivering laundry and sundries.

Travelers seeking new adventures will have the opportunity to participate in a real Jules Verne experience as they enjoy an underwater odyssey. Jules' Undersea Lodge in Key Largo, Florida, currently provides the only underwater accommodations for undersea adventures. However, if architects and developers have their way, larger nautical hotels could be built at offshore sites in Hawaii, Mexico, and Sicily.<sup>40</sup>

The importance of the personal touch can be seen in other areas of the tourism industry. For example, travelers are rediscovering the benefits to be gained from the professional knowledge of experienced travel agents. However, now, rather than visiting brick-and-mortar locations, they are accessing these agents through the Internet or phone and the agents are working from home. Consumer satisfaction has led to growth in this segment of the industry and as the need for personalized service grows, so will the number of agents.

Research shows that as more technology is introduced into the service encounter, customers can become dissatisfied if they are placed in a position where they need to deal with technology and service staff at the same time. To solve this problem, it was suggested that service technology interfaces might be designed so that they can be either integrated seamlessly into customer-employee exchanges or that customers should be given both space and time to deal with the technology side of

the transaction before engaging in social aspects of the transaction with the service provider.<sup>41</sup>

## Safety and Security Strides

Realistically, the threat of terrorism will continue, so travelers will have no choice other than to accept a decrease in their privacy in exchange for greater security. Security will pervade but hopefully in the future will almost go unnoticed as technologies improve in all aspects of the tourism industry from attractions and sporting events to accommodations and transportation. Surveillance will also become common for all future events and many tourism attractions/congregating sites. In some locales, the future has arrived. “The average visitor to London . . . is now captured on video 300 times in a single day” (p. 16).<sup>18</sup>

**Biometrics** will become the common form of identification. Most countries will move to globally standardized electronic national identification cards in place of passports. These ID cards may also include driver’s license information along with fingerprint and/or retinal scan data. In addition, by choice, to achieve better connectedness and better service, travelers will carry more and more personal information from loyalty accounts to personal travel preferences on their smart phones. As security has tightened, airlines have restricted size and weight of baggage to conserve fuel and space. Although, front line airline service personnel have looked the other way as more and more luggage is carried on, this practice will have to cease for both security and operational efficiency reasons. In response, specialty freight companies will enjoy substantial increases in revenue as more and more travelers elect to ship their luggage and adventure “toys.”

Owing to the dominance and immediacy of global media, crisis events will have even greater impact on tourism revenues. In response to hyped 24-hour coverage of natural disasters and terrorism attacks, organizations, especially NTOs and their lower-level counterparts, will develop restoration and recovery programs with specialists who communicate through the broadcast and print media and use the power of the Internet to inform travelers about the condition of tourism resources and steps being taken to ensure the safety and security of visitors.<sup>42</sup>

To guard against lost or stolen cash or traveler’s checks (for the minority of population still using them), we will move to a truly cashless society. In all venues, making purchases will be easier. Everything from your credit/debit card to your smart phone will be used to make purchases. Making purchases easier for customers means more revenues for service providers through lower transaction fees.

## TOURISM IN ACTION

### BIOMETRICS

Fingerprint scans are only the tip of the iceberg when it comes to enhanced security and service. Both employees and guests will find biometrics incorporated into the workplace and the guest experience. For safety and security concerns, even in the face of privacy concerns, operators are turning to biometrics: fingerprint scans, handprint scans, facial scans, and iris scans. With these new technologies, there is no more need for time clocks, keys, or entry cards. With the scan of facial features, the blink of an eye, the press of a finger, or the wave of a hand, entrance is approved and a time record is established. Once an individual’s personal profile (face, eye, finger, or hand) has been entered into a computer system, entry, checking in or checking out, and security are easily managed. Many countries have installed e-channels for their citizens and nonresident frequent visitors who can pass through immigration check points with the scan of travel documents and finger prints. This has speeded up the entry and exit time for travelers.

*Sources:* Based on Kirby, Adam. (2008, January). Buying into biometrics. *Hotels*, pp. 49–50; and Yu, Roger. (2008, February 5). Some guests can open doors in a blink. *USA Today*, p. 4B.

## Keeping the Human Touch

There is no doubt that the business of hospitality and travel is adopting technology at an advanced speed, and organizations as well as travelers are embracing the movement. The personal touch still provides the basis for the reassurance and experience travelers seek, but technology is revolutionizing the way service providers are staying attentive and engaged with their guests. While customer relationship management holds great promise for delivering customized services more efficiently and effectively, “. . . the old-fashion style of customer relations may be the appropriate strategy for many travel and tourism ventures.”<sup>43</sup>

To help reduce labor costs, many tourism-related businesses are automating services that until recently were provided by people. More and more businesses within the industry are making greater use of computer terminals and interactive screens to allow travelers to “do it yourself.” Although this step depersonalizes service, a growing number of travelers prefer speed and efficiency to the more personal interaction with hospitality service employees. Tourism operators, just like other service providers, will find a balance between the power of technology and human interaction. Customers enjoy the freedom of technology but want to know that when needed there is someone available to serve their needs.

With the shrinking number of available workers owing to the aging populations of industrialized nations and competition for workers who have the skills needed to learn and complete more complex tasks, tourism suppliers will offer better pay and benefits to employees. Greater efficiency through the use of technology and employees who can utilize it will partially compensate for these higher human resource costs. Automation and robots will replace human workers in many back-of-the-house operations and some front-line positions. Employees will be seen as the most important asset for delivering high-quality, highly personalized customer service, so service training and employee empowerment will become the norm industry wide.<sup>44</sup>

## The Green Frontier

The coming decades will see the rise of mandatory recycling, water and energy conservation, and use of environmentally friendly building products and supplies. The industry will rise to this challenge by focusing on energy efficiency coupled with new energy technologies such as solar, wind, and geothermal energy. New Zealand serves as a good example of what is to come, as sizable quantities of thermal energy from hot springs are already used throughout the major tourism city of Rotorua. The lodging industry will increasingly build or convert to “smart rooms” that sense and adjust climate conditions and can be cleaned at least in part with robot technology.

### FYI MODULAR HOTELS

They go by many different names—capsule hotels, modular hotels, and pod hotels—but they all have one thing in common: very efficient use of space in a small footprint. The concept of modular hotels was pioneered by the Japanese, but the idea is sweeping across the world. Priced well below most competitors in high-cost real estate markets such as airports and

downtown locations, these small 75- to 100-square-foot rooms don't waste any space. Most modular units include the basics: private bathrooms, beds that are designed for two, flat screen televisions with integrated technologies, and some even have a small work space. Weary travelers looking for nothing more than a place to sleep, especially in airports and high-cost metropolitan

areas, are finding that pods “fit the bill.” Thanks to their sleek design and small footprints, these new hotels are opening up a new subeconomy category of lodging properties. In some locations, for example airport terminals, they can even be rented for stays as short as four hours.

*Sources:* Based on Hornyak, T. Capsule hotels go high style. *New York Times*. 11/20/2011, Vol. 161 Issue 55595, p. 11; and Karmin, C. Hotels think small. *Wall Street Journal* (Online). 11/12/2014, p. 1.



*Shower time: bringing conservation ideas to life.* Photo by Cathy Hsu

According to one survey, business travelers expect lodging facilities to be environmentally conscious in their daily practices. The results of the survey indicate that these travelers expect them to:

- Recycle (77%),
- Use energy-efficient lighting (74%),
- Have energy-efficient windows (59%),
- Place cards in rooms to let guests request that sheets/towels not be changed (52%), and
- Use environmentally safe cleaning products (49%).<sup>45</sup>

Many of these practices are already in place in the restaurant industry, as the National Restaurant Association reports that more than seven out of ten operators purchased products made from recycled materials, and roughly three out of four operate recycling programs.<sup>46</sup>

However, the road to becoming green will not be easy, as we saw in the previous chapter. Even though customers are demanding more environmentally sound practices, achieving this goal will be difficult. There are numerous products that claim to be “green,” but there are no accepted standards or reliable guidelines for use in any segment of the industry.<sup>47</sup> When such universal guidelines are accepted across international boundaries, environmentally safe practices will become the norm.

## Tourism Research

If we just had more data, decisions would be easier. This is a common refrain heard from decision makers in every organization. But, *what* is involved in gathering these data? The answer is research. **Research** is a simple idea. It is the systematic investigation of a topic, often including the collection of information for a set goal. The term *research* is used



to describe both a process and the product of that process. Research means to design, gather, analyze, and report information; and it also means the output of that process.

Objectivity in the research process is necessary to ensure (it is hoped) that conclusions derived are based on fact rather than hearsay, opinion, or emotion. The bits of information collected during the research process are called *data*, a plural Greek word. So, when using the word *data*, always use it with a plural verb form. For example, you would say, “The data reveal a tendency, *not* the data reveals a tendency.”

The term *research* thus encompasses a mind-boggling array of data and methods that can be used in decision making. Differing information needs require differing methods of data collection and analysis. Some data are routinely collected and readily available, such as sales and cost information or census information collected by governments. This routinely and readily available information is called *secondary* data. However, most needs for information are very specific and data need to be gathered for a unique purpose. This type of data is called *primary* data.

Some research is called *applied* and other research is called *basic*. Applied research is used as input for making specific decisions. Basic research is conducted to expand knowledge on some subject, not to use the information directly for problem solving. Much of the applied tourism research done is what we call *proprietary* research, meaning an organization funds the research and holds onto the information, not sharing it. Most of the basic research conducted in the field of tourism is published and therefore shared and is termed *public* research. With this background in mind, let’s take a look at the *what, who, when, where, and how* of research.

## Types of Tourism Research

Research comes in four forms: descriptive research, experimental research, predictive research, and simulative research or modeling. We next describe each type of these briefly.

**DESCRIPTIVE RESEARCH.** This involves the collection of information to describe aspects of the tourism industry or phenomenon. Such aspects include the size and positive and negative impacts of tourism, the number of tourists at different locations and during differing seasons, the characteristics and behaviors of tourists, the number of jobs within each sector of the industry, the amount of taxes directly paid by tourists and industry members, inventories of the tourism industry in terms of number of sector members, and list of attractions and recreational resources; the possibilities for descriptive research are endless. Data collected by individual tourism enterprises are a form of descriptive research: for example, number of rooms rented, length of stay, table turnover rate, and so on.

## FYI THE HONG KONG DEMAND FORECASTING SYSTEM

Tourism investment, especially investment in destination infrastructures, such as airports, highways, and rail-links, requires long-term financial commitments and the sunk costs can be very high if the investment projects fail to fulfill their design capacities. Therefore, the prediction of long-term demand for tourism-related infrastructure often forms an

important part of project planning and appraisal. The automated demand forecasting system developed by a team of tourism researchers at The Hong Kong Polytechnic University provides forecast of future tourist arrivals to Hong Kong as well as their expenditures at the destination. Demands on airlines, tour operators, hotels, cruise ship lines, and recre-

ation facility providers can also be generated on a sector-by-sector basis.

The system is automated. Businesses that subscribe to the system may conduct their own scenario analysis on demand forecasts for their products and services. They can generate forecasts based on tourists’ country of origin, for different frequencies (e.g., monthly, quarterly, annually), and over different periods.

*Source:* From Hong Kong Tourism Demand Forecasting System, published by Hong Kong Tourism Board, <http://www.tourismforecasting.net/hktdfs/>.

**Table 14.4** Sequential steps in the Research Process

Step 1—Establish the need for research
Step 2—Define the problem
Step 3—Establish research objectives
Step 4—Determine research design
Step 5—Identify information types and sources
Step 6—Determine methods of accessing/acquiring data
Step 7—Design data collection forms
Step 8—Determine sample plan and size
Step 9—Collect data
Step 10—Analyze data
Step 11—Prepare and present the final research report

Source: Adapted from Burns, Alvin C., and Bush, Ronald F. (2003). *Marketing Research, Online Research Applications*. Upper Saddle River, NJ: Prentice Hall, p. 28.

**EXPERIMENTAL RESEARCH.** When you hear the term *experiment*, you probably think of laboratory science experiments, but tourism organizations can and do conduct experiments to learn about the effect of one variable on one or more other variables. How will a price change affect demand for rooms or airline seats? Will running an ad in one magazine result in more inquiries to the visitor center than the same ad in a different magazine? Will a particular sales technique results in higher revenue? We will discuss experimental research a bit more later.

**PREDICTIVE RESEARCH.** Because in many tourism businesses demand varies greatly, predicting or forecasting demand is critical, especially to smooth operations. Most operational decisions are based on the demand expected for any time period. Staffing, purchases, and cash flow needs are all dependent on service demand. Therefore, predictive research is necessary to ensure cost-effective, quality operations whether we are thinking of a restaurant, a hotel, a museum, or an amusement park. Tourism managers and researchers try to predict the future by looking at patterns of the past and making best guesses about the future.

**SIMULATIVE RESEARCH/MODELING.** To help in making longer-term decisions about the future, some tourism organizations try to model or simulate it. By making certain assumptions based on data descriptive of the past or based on likely scenarios, estimates about the likelihood of various occurrences in the future can be made. Managers can simulate what will happen under different circumstances, particularly with the aid of computer technology. Using spreadsheets and other computer-assisted, awe-inspiring number-crunching powers, decision makers can generate specific levels of demand and other information that they then use to aid them in making longer-term decisions. For example, simulation would help determine the wisdom of investment and development of land tracts contiguous to a ski resort, addition of another tower to a hotel property, or relocation of the regional airport.

## Who Conducts Tourism Research?

Research can be conducted by three different types of researchers. Much of the day-to-day information gathering and analysis activities that occur are conducted by employees of tourism suppliers, and government or public/private entities. We call this *in-house* research. However, some research requires special high-level skills that often are not available within most tourism organizations. In these cases, tourism suppliers, governments,

and other entities will hire research consultants or research firms to conduct the research for them. These specialists utilize a formal research process to focus their efforts and help ensure that the information and reports they provide clients will be objective, accurate, and unbiased. See Table 14.4 for the flowchart of the research process.

Basic research, with the goal of furthering knowledge about the entire phenomenon of tourism, is most often conducted by academic researchers and is sometimes funded by tourism companies or trade associations. Your professor and other faculty at your school likely conduct research of this type, using the 11-step process listed in Table 14.4. Results of this basic hospitality and tourism research are published in research journals and therefore made available to all who are interested in reading them.

## Who Needs and Uses Tourism Research?

Public policy makers, those who make decisions in governmental bodies or in public/private organizations, use tourism research because they are entrusted with making informed decisions about spending tax monies. Tourism research provides them with important information so they can decide (1) how much to invest in infrastructure to encourage/support tourism development; (2) how much money to spend on marketing to attract tourists to the community, region, or nation; (3) whether to make public/private investments to generate more tourism, such as investments in stadiums, convention centers, and/or events (fairs, festivals, tournaments, hallmark events); and (4) the size of positive and negative impacts to the area's economy, natural environment, and culture. One of the most important techniques in this area is called *economic impact analysis* (EIA). EIA methods are used to compare alternative investments and to determine which is likely to yield the most benefit to the community, region, or nation.

Governments also use tourism research in their role as owners/managers of many tourism resources, especially attractions (e.g., national parks, historic sites). Government employees responsible for the stewardship of these precious resources face many of the same challenges of private-sector tourism managers, discussed next.

Tourism supplier firms, whether commercial or nonprofit, use research information for a variety of strategic/planning, tactical, and operational decision-making needs. Examples of these needs are (1) demand forecasting (determining the level of demand for any period of time, whether the hour, shift, day, week, season, or year); (2) marketing decisions (promotion, price, product, and place tactical decisions) used to create and smooth demand throughout the year; (3) management/operational decisions to ensure cost-effective yet consumer-satisfying performance; and (4) financial decisions concerning the use and source of funds.

## When, Where, and How Is Tourism Research Conducted?

Actually, some forms of tourism research are conducted continually. Countries throughout the world collect economic information year after year to track the levels of and changes in tourism activities. To a limited extent some states/provinces and cities do likewise. Many companies or industry trade organizations, such as the Air Transport Association, routinely collect information on their business or industry and then disseminate this information to decision makers within the company or to their organization members.

The how of tourism research is represented in Table 14.4, but we should go into a little more detail. On rare occasions, tourism researchers conduct experiments in which one variable is manipulated and the results of one or more other variables are then measured. This form of research is necessary to determine causation of effects. Because of all the variables that interplay in any tourism-related action, experiments are very difficult to conduct and are therefore used less often by tourism researchers.

Data collection is sometimes conducted through observation. Human or electronic counters that record the number of visitors to an entry point produce tourist counts. With the aid of satellite tracking devices, tourist movement within a city or attraction can be observed. Most commonly, however, tourism data are collected from tourists directly. Sometimes this information is collected prior to the tourists' visiting an area, sometimes during the trip, and often after the trip is complete. This direct consumer surveying can be conducted in the consumer's home, but in the tourism industry it is frequently conducted at visitor welcome centers, tourist attractions, or at border entry/departure locations such as border crossing points and international airports.

By using interviewers in person or over the phone or by using paper-and-pencil/mobile device surveys or online surveys, answers from tourists are acquired to a wide variety of questions of interest to tourism researchers and decision makers. The Internet is playing an increasingly greater role in the collection of information because the majority of potential travelers regularly use the Internet today. Surveys can be quickly and cost effectively developed and distributed over the Web. They can be fun and easy to respond to, and very importantly, answers are immediately translated into bits of data that can be statistically analyzed at any minute in time.

## Tourism Research Is Hard to Do

Now that you know more about tourism research, you may realize that the nature of the industry makes tourism research especially challenging to do and to coordinate. Its large number of organizations, both big and small, and its many sectors make a snapshot of the tourism world hard to come by, let alone a full-blown analysis of its many facets. Data collection from so many organizations is a practical impossibility. Few consistent reporting requirements, except for quasi-regulated sectors, such as airlines, exist to make the task easier. Consumer research in tourism is difficult because consumers experience a set of services away from their homes, and frequently on a short-term basis (as opposed to long-term hometown-based service relationships such as those between consumer and bank or consumer and dentist). The breadth of issues to be researched is also mind-boggling because tourism by its nature strongly affects an area economically, culturally, and environmentally.

Because of tourism's wide reach (and frankly its intrinsic excitement), researchers from a wide range of disciplines focus their eyes and efforts on its study. Tourism is studied by academics and others in the fields of marketing and business, sociology and psychology, history and anthropology, geography and political science, planning and design, and even futurism. Even experts from the hard sciences are studying tourism because of its effects on nature and the Earth.

## Conclusion

It seems that the more things change, the more they stay the same. Think back to that old custom of hospitality we introduced in Chapter 1. We may not follow that practice of sticking a fresh pineapple on the front fence, as the old New England ship captains did as a symbol of hospitality, but the welcoming touch provided by service employees will remain a key factor to service success in this growing industry in which the number of jobs created by tourism organizations is projected to continue increasing in record numbers for years to come.

You have made a great start in developing a sound foundation for becoming a professional member of the tourism industry or an informed consumer of tourism

services. There will always be new things to do and learn in our rapidly changing world. We hope you decide to become a part of this excitement. You can build a bright professional future by dedicating yourself to lifelong learning and a never-ending desire to improve your knowledge, skills, and abilities continually. If you would like to become a part of the growing cadre of tourism professionals, start planning your job search now! For more information on how to enter and succeed in your desired career field, see Cook and Cook.<sup>48</sup> We hope that you have enjoyed the journey through our exploration of the tourism industry, and we hope to see you as industry professionals in our future travels.

## You Decide

Microsegmentation, grouping consumers into smaller market segments than those more commonly used in the past, has been employed by more and more companies as markets have become saturated. Many companies have found sales growth difficult to come by: To gain increased sales, consumers must be won away from competitors. The best way to win a customer is to satisfy the customer's unique needs better than a competitor does.

By grouping customers into more specific groups, firms can better fulfill customer needs. As the tourism industry becomes more competitive, tourism suppliers have begun focusing on the needs of less traditional segments of potential travelers. For example, instead of targeting the business segment, a hotel company might target the young, technologically savvy, traveling saleswoman subsegment of the business and professional market.

A subsegment that is being targeted more and more is the less-affluent counterpart of other segments, such as the low-income mature traveler or the low-income young-family subsegment. Lower-income travelers represent potential growth for travel providers because they have not been able to afford many of the travel services that other, more affluent travelers have been purchasing.

To appeal to these lower-income segments, some tourism suppliers are offering special financing services.

The Princess Cruise Line is now offering its own "Love Boat Loan Cruise Financing" plan. Its slogan for the plan is "Bringing Your Dream Vacation within Reach." Prospective passengers unable to afford a cruise owing to a lack of savings are encouraged to "spread the cost over two, three, or four years, into very manageable monthly payments." Clients can even include onboard spending for drinks, shore excursions, and shopping as part of the loan. Interested customers simply call an 800 number to apply: "There is absolutely no paperwork to fill out and you will communicate by phone directly with the bank." Interest rates vary from 15% to 27%, depending on the individual's credit history and desired payment schedule.

For decades, travelers have been able to play before they pay. Banks have long offered vacation loans and credit card companies encourage purchasing travel services on credit. Tourism company-based financing is just one more means that customers can use to gratify their vacation desires now and pay later. Should tourism service suppliers encourage customers to "travel now and pay later"?

## Net Tour

To get you started on exploring Internet links for this chapter, please see

[www.spaceadventures.com](http://www.spaceadventures.com)  
[www.sath.org](http://www.sath.org)  
[adventuretravel.com](http://adventuretravel.com)  
[lake-express.com](http://lake-express.com)  
[www.exploreworldwide.com](http://www.exploreworldwide.com)

[www.exodus.co.uk](http://www.exodus.co.uk)  
[www.virgingalactic.com/](http://www.virgingalactic.com/)  
[medicaltourism.com](http://medicaltourism.com)  
[www.ttra.com](http://www.ttra.com)  
[www.slow-tourism.net](http://www.slow-tourism.net)  
[www.my420tours.com](http://www.my420tours.com)

## Discussion Questions

1. Based on your knowledge of the tourism industry, what future services do you think will be developed to serve mass markets or specific market niches?
2. Based on your knowledge of the tourism industry, which of the following groups holds the most promise for future growth—mature travelers, international travelers, or business and professional travelers?
3. As speeds and efficiencies in trains and airplanes increase, do you think that travelers will shift their trips to one or the other of these transportation modes?
4. Why will the number of suppliers in the tourism industry decrease, and how will this consolidation of suppliers take place?
5. Will advances in technology replace the need for the human touch in the tourism industry?
6. What are the main types of tourism research conducted by governments and tourism suppliers?

## Applying the Concepts

1. Using the resources of your local library or the Internet, access either the *Statistical Abstract of the United States*, *Statistics Canada*, or another governmental source. What recent trends have occurred in tourism-related activities? Do you think these trends will continue? Why or why not?
2. Arrange an interview with an experienced travel agent. Ask what changes he or she has observed in the tourism industry in the past five years. Some areas you might ask questions about include changes in business and professional travel, ecotourism, international travel, and technology.



3. Choose any one of the tourism service suppliers that has been discussed in this course. With two or more students, brainstorm ways that mass customization and microsegmentation could be used to improve customer service and revenues.
4. Interview a friend or relative who you think is a member of the adventure tourism segment. Ask about his or her most recent vacation. Also ask why he or she participates in extreme activities and what benefits he or she derives from these activities.
5. Interview a manager of a tourism business to determine what he or she thinks will be some of the major challenges facing his or her sector of the industry in the future. Are any changes being made to meet these challenges, such as EFR, greater automation, subcontracting, and so forth?
6. Find an article that discusses the future of tourism. Summarize the changes that are predicted.
7. Try to plan a two-day travel itinerary for someone who is wheelchair bound. The trip includes travel on train or plane, an overnight stay, and a visit to an attraction.

## Glossary

**Adventure tourism** Tourism that involves activities with an above-average element of physical risk.

**Age cohort** A generation affected by common experiences.

**Biometrics** Technologies for identifying and verifying an individual's physiological characteristics such as fingerprints, handprints, facial features, and irises.

**Configured (rooms)** Rooms with a well-planned design developed to meet user needs for efficiency and effectiveness.

**Cooperative alliances** Long-term relationships that enhance operating efficiencies, profitability, and market share for all parties.

**Efficient foodservice response (EFR)** Partnership agreements created among manufacturers, distributors, and foodservice operators to lower food costs and improve the quality of service.

**Extreme tourism** A subset of adventure tourism; encompasses activities that involve above-average elements of physical challenge and risk.

**Mass customization** The production of a good or service to fulfill the unique needs of an individual buyer.

**Medical tourism** Travel to other countries to receive medical treatments.

**Microsegmentation** The process of identifying and serving small subsegments of the market.

**Pacific Rim** The land masses that have a Pacific Ocean coastline.

**Real estate tourism** Travel time spent gaining in-depth knowledge and perspectives about the area from scheduled meetings with local experts while searching out potential investment opportunities.

**Research** The systematic investigation of a topic, often including the collection of information for a set goal.

**Single supplement** The additional charge added to the price of a tour or cruise when a traveler does not share accommodations with another traveler; often, 25% to 100% of the double occupancy rate is added to arrive at a single occupancy rate.

**Single traveler** A person who lives alone and travels with or without a companion.

**Slow tourism** Trips with a slower pace during which travelers step back from everyday experiences, allowing time and opportunities for immersion.

**Subcontracting** The hiring of another organization to perform one or more operational functions or services.

**Subsegments** A group within a larger market segment; sometimes called a "microsegment."

**Virtual conferencing** Meetings among geographically dispersed individuals using video, sound, and data transmission technologies so that participants can see and interact with each other.

**Vocation tourism** Trips during which travelers take time to experience possible new careers before actually making career changes.

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# PART III

## Integrated Cases

It's Not a Bird House

Coping with Crisis

Any City Can be a Tourist Destination

Struggling to Serve the Cannabis Tour Niche

## IT'S NOT A BIRD HOUSE

LORIE A. TUMA AND ROY A. COOK

### INTRODUCTION

The Purple Martin. The name of this organization may make it sound like a bird house, but it's not, it's more like a nest. A nest of ideas, dreams, and a vision of hope to make a difference. The Purple Martin may be home to unique bird houses that attract a most sought after colony of endangered swallows called purple martins as they descend on this pristine stretch of Lake Huron shoreline each year, the Purple Martin is much more. It began with the desire to offer foster children and their siblings an opportunity to escape the hustle and bustle of the difficulties so many faced in their daily problems. With a vision of providing an environment of safety and warmth for at-risk children, this 501(c)(3) organization was founded by philanthropic entrepreneur Cindy Vezinau and had become a Rogers City, Michigan, fixture and beacon of hope.

From a very humble start on a shoestring budget, the Purple Martin had successfully grown into fulfilling its mission, but its future was still to be determined. How could the outreach of the Purple Martin continue to grow and be communicated and how could its stakeholders continue to be engaged?

### A BUCOLIC SETTING WITH A VIBE

Rogers City, Michigan, with a population of 2819, was a picturesque lake front town, reminiscent of a Norman Rockwell painting. Located along the shoreline of Lake Huron approximately 50 miles south of the famous Mackinac Bridge, Rogers City, was endowed with scenic beauty and natural resources that attracted a beehive of summer visitors and activities. Not far from Rogers City, visitors could find the 40 Mile Point Lighthouse; Hoelt State Park, a heavily wooded park with a mile of the sandy Lake Huron shoreline; Harbor Springs and Petoskey is just an hour away and the Presque Isle and Great Lake Sailors Museum. Local citizens took pride in their city and all the surrounding area had to offer.

The city had been successful in hosting a large nautical summer festival each year to showcase all the city and the area had to offer visitors. In addition, Rogers City had been thrust on to the stage of international publicity when a group of college students descended in the middle of main street in 2012 and became a flash mob by performing "The Hustle." This event was recorded and soon through the power of social media had gained over 30,000 viewers, and the attention of every form of mass media. Even with this new notoriety, the citizens of Rogers City still took pride in the peace and solitude their little town offered visitors. Some of the most prized visitors, both birds and people, were those who came to stay in the Purple Martin Inn.

Since Rogers City gained its instant notoriety with that 2012 flash mob, Cindy has kept the spirit of the Purple Martin alive by replicating the flash mob and involving citizens in a second event, titled, "Purple Martin Mania." She secured authorization from city council members to shut down the four corners of the main street once again for a public dance, and more than 200 citizens participated.

This event was actually duplicated for three consecutive years until the state removed the street light and city ordinances prevented the shutdown on the four corners. So Cindy moved the event down the street to the Beach Pavilion (which offers shelter and public bathrooms). This continued to be the site where Purple Martin Mania activities and fundraisers took place.

Other Purple Martin Mania events that evolved over time included sidewalk chalk, a dance, pet parade, and a county-wide art contest for school children. The winner of the contest picture was used for the official poster for the Purple Martin Mania event. The first, second, and third place winners receive prizes and their pictures were displayed in

the Presque Isle Library for locals to judge and enjoy. The event was filmed by a professional videographer, which was entered into a contest with the Michigan Municipality League and was recognized as a unique initiative. In addition, building on the purple theme, purple lights, purple martin themed décor, and wish balloons could be found throughout the city. Citizens of Rogers City continued to gather each year to launch balloons in an effort to demonstrate support for this initiative and hope for their future.

## THE PURPLE MARTIN INN

The idea for the Purple Martin was created shortly after Cindy discovered a piece of property on Lake Huron. On a whim, she purchased it within 24 hours, and then found herself trying to decide what to do with it. She ultimately received guidance to turn it into a tourist facility of some sort to allow others to enjoy the beauty of the area, utilizing her experience in tourism.

The Purple Martin Inn Nature Center and Lakeside Inn was the start of this endeavor and was named after a conglomeration of birdhouses built on the site to attract nesting purple martins. The building originally housed a commercial laundry facility serving the laundry needs of lake freighters that once plied the Great Lakes. This building had fallen into disrepair from lack of use and had been scheduled for demolition, but through the visionary efforts of founder Cindy.

As a child, Cindy spent of many her summers in Rogers City and wanted children to experience the same safety, cleanliness, and enjoyment of Pure Michigan that she had. The Purple Martin was a place where you could smell the flowers, gaze at the stars, and not be afraid. She understood that foster children fear the unknown more than anything, and safety was what they needed. One of the most simple pleasures she had always enjoyed was giving these children a word of encouragement or hope, and according to Cindy, they held onto that dearly.

## CINDY VEZINAU AN ENTREPRENEUR WITH A PASSION

After graduating from high school, Cindy backpacked across Europe, returned to the United States and decided to start looking for a job. She worked in travel agencies and was approached by Eastern Airlines and was hired as a liaison between the airline computer reservation system and travel agencies and corporations housing airline software. She then transferred to Continental Airlines, and ultimately Northwest World Airlines World Vacations. Northwest Airlines merged with Delta Air Lines and she has worked the last 20 years with Delta Vacations.

In Cindy's current position, she works with the travel agency community and as an educator who delivers high-level training at Delta Vacations University and was a frequent contributor on radio stations throughout the state.

Her practical industry experience has always revolved around tourism. She has traveled the world over but still admits—Rogers City is the best place on the planet. Cindy was passionate about her vision and when speaking about the value of the Purple Martin experience, she always noted that, “All these children need is love” and promoting the theme “Nature Plus Nurture Equals Future.”

## FULFILLING A MISSION

Although she had focused much of her initial attention on renovations and starting up a business, she still felt compelled to serve the community. A few months after purchasing the property she was listening to the radio while driving and overheard a radio broadcast that was discussing the peril of foster children and the need to help them. She called the station, tracked down the speaker, and set up a meeting immediately. Jeannie



Fowler, was the Michiganian of the Year, and also has the nonprofit “Big Family” in Detroit. Cindy added, “I didn’t go out looking for this . . . it came to me.” And, Jeannie proved to be the perfect mentor as she taught Cindy everything she needed to know related to all of the operational aspects of running a non-profit organization. This was the beginning of the Purple Martin for kids, a non-profit endeavor.

Now the vision was clear. First, to build the Inn showcasing the area and to help the community. Second, as an additional part of that vision, to help at-risk children in foster housing to have hope, safety and lasting experiences. However, faced with the restrictions of laws that specifically limit the general public from having exposure to foster children, the building had evolved into a funding source to send children to a summer camp.

Initially the Purple Martin Inn was created as a safe haven to connect foster children with their parents/siblings. However, as it evolved, she decided to create a camp that offered innovative activities in the *area* that fostered community partnerships. This also reinforced an important fact and feeling she desired to communicate to these foster children who came to Rogers City. She wanted demonstrate to them that the citizens of Rogers City truly cared for them and were advocating for them.

The Purple Martin Inn has grown exponentially mostly due to the fact that it has attracted a loyal following because it was built “green.” Whenever possible, she and the purple people, as she called them, people who believed in her vision, used recycled, reclaimed, and repurposed materials in every phase of the renovation process. In addition to her focus on sustainability, she also focused on nature. A second floor was added with picture windows overlooking the lake and an unobstructed view of the Purple Martins. It now attracts clientele seeking a unique experience in a clean, pristine location. She believed the Purple Martin Inn would bring more jobs and people to the area, which would result in additional economic development. Instead of hearing citizens say “the town is dying,” she believed she would hear them say, “this town is amazing” and have pride in where they live.

## FUNDRAISING ON A SHOESTRING

The Purple Martin was like many small non-profits, an idea that was founded on a shoestring with a big mission. Realizing the constraints of a limited budget, Cindy turned to her network of friends to raise awareness and supporting funds for her project. In her quest for recognition and funds, she had the premonition of tapping the developing talents of college students and their desire to create social change. These students soon caught her enthusiasm, initially creating that first flash mob sensation and then over the years other students have followed and developed a variety of successful friend raising, fundraising, and recognition programs.

It is amazing how students and other people have come up with so many creative alternatives to raise funds—everything from raffle tickets, to basket sales, to restaurant events. Because of what they have accomplished, people are now coming to her saying, “we have heard about what you are doing—we want to help you as well.” Cindy has received money regularly now because the word is out and people want to support her mission. However, with increased funding, comes an opportunity to serve more children, which is followed by an additional increase in the need for more funding to serve the needs of more children.

The Purple Martin Inn, now operated as an air b&b, allowed marketing to international and domestic visitors alike was not originally about a place you would find in a brochure, it was the type of destination you most likely found out about from others. It was a destination that required people to put their cell phone down and unwind. When they entered the doors, they were removed from the hurriedness of life, and given an opportunity to “let it go.” Although the word was now out about the Purple Martin Inn, it was still a place focused on nature and relaxation. Now, when Cindy has the time to step back and look at her success, she often wonders how can these ventures and the growth of the community be sustained?

## COPING WITH CRISIS

EDWIN C. LEONARD, JR. AND ROY A. COOK

### INTRODUCTION

Imagine a company celebrating 120 years of continuous service. With uniformed conductors, engineers, and authentic coal-fired steam engines, the historic Durango & Silverton Narrow Gauge (D&SNG) Railroad, Inc. fully expected to continue delighting tourists by providing this historic and scenic ride for years to come. As the number one tourist attraction for both Durango and Silverton, Colorado, the train had become a mainstay for both economies. Now, imagine being in charge of this operation and facing a crisis decision in the midst of poor economic times and soft tourism demand.

For most tourism-related industries, 2001 was a dismal year. Even prior to 9/11, many companies were experiencing both declining revenues and increasing operating expenses. Unfortunately, the end-result for most service providers in the tourism industry was worse than projected revenue and visitor numbers. It was a simple case of supply and demand; the supply of tourism venues continued to expand, while the uncertain economy and terrorism fears caused travelers to scale back their plans for venturing out. The stock market peaked in March of 2000 and tumbled dramatically to multi-year lows, making consumers even more financially conservative with their leisure expenditures. People with extra cash were reluctant to part with it.

The tourism industry in Southwest Colorado was feeling the economic pains of the slow-down in tourism like the rest of the country. In the midst of this gloomy scenario, some good news came to the local tourism economy. Newspaper headlines screamed the news: “Thomas the Tank Engine is coming to Durango, June 15–23 to travel on the historic D&SNG Railroad, Inc.” With records set for lack of snow and rainfall, the drought-conscious Durango business owners needed a shot in the arm that increased tourism could bring. Thomas’s popularity, due to its own web site, books, toys, videos, movie, Public Broadcasting System (PBS), and Nickelodeon television features, was expected to draw thousands of new visitors to Durango. For \$14 per person (nonrefundable tickets), visitors could experience “A Day Out With Thomas.” Every 45 minutes, the D&SNG coaches were expected to transport thousands of visitors on a 30-minute ride.

Since the train was the main destination attraction in the region, this added venue came at a good time for many of the local tourism businesses that were starving for customers. Train riders typically stayed in Durango, the largest town in the region, while participating in other activities, such as visiting Mesa Verde National Park and enjoying a variety of outdoor activities. While Durango served as the station for the train, one town in the region was even more dependent on the train than any other—Silverton.

### SILVERTON AND THE D&SNG

The small mountain town of Silverton, population 720, was especially dependent on the day-trippers that flooded into the town with each scheduled train. These passengers had two and a half hours to sightsee, eat, and shop in this historic mining town before boarding for the return trip to Durango.

In its continuing efforts to promote tourism, the Silverton Chamber of Commerce hailed 2002 as The International Year of the Mountains. Noted events included the 31st Annual Iron Horse Bicycle Classic where riders from all over the world come to race the D&SNG as it chugged along the 45 scenic miles of twisting mountain tracks passing through the San Juan National Forest between Durango and Silverton. An announcement from the Silverton, Colorado Chamber of Commerce extolled the virtues of Silverton.

Nestled high in the heart of the San Juan Mountains, the Town of Silverton's unique mining history, Victorian charm, and unequaled natural beauty provide an ideal base for your summer or winter explorations. Accessible by the scenic Narrow Gauge Railroad, this old west town sits at an elevation of 9,318 feet, surrounded by public lands waiting for you and your family to discover ([www.silverton.org](http://www.silverton.org)).

Because Silverton was never the victim of a major fire, as so many mining camps were, the buildings have been preserved, many of them with original furnishings, fixtures, stamped tin ceilings, and polished, mirror back bars. It's a friendly place to visit (Retzler, 2002).

The town provided visitors an opportunity to see how miners and their families lived over a hundred years ago in this 9,318 foot high mountain valley. The Mayflower Gold Mill, a National Historic Landmark, allowed tourists to see how miners got gold out of the hard rock ores. While accessible by a winding drive via U.S. Highway 550, most visitors took the three to three and a half hour trip via the D&SNG. According to some, the train is Silverton's bread and butter.

Operating daily from May to October, the D&SNG offered riders the opportunity to enjoy views of unparalleled beauty and an unforgettable steam train experience. The train hauls over 200,000 people a year from Durango to Silverton with nearly 40% of those passengers traveling in June and July on four daily trains. The average round-trip fare was about \$65.00 per person. In addition, the railroad employed 80 full-time and 145 seasonal employees. While hundreds of thousands of visitors choose to drive the 50-mile high alpine road linking Durango and Silverton, the train experience has continued to serve as a major tourism attraction.

## THE SPARK

The drought had become so severe that the moisture content in live trees had dropped to less than would be found in kiln-dried lumber in a lumber yard. What started as a spark in the tinder-dry forests north of Durango changed into a roaring inferno as a wildfire jumped control lines and raced toward the top of Missionary Ridge to the northeast of Durango, consuming 6,000 acres on the first day. Silverton lies due north of Durango, and if the fire continued to burn out of control, both the rail and road links between the two towns would be engulfed in smoke. Everyone intently watched the skies as a shift in wind could bring the fire toward Durango (Clay, 2002).

Because of the heavy smoke produced by the fire, air quality in parts of the San Juan Basin, which included Durango, became unhealthy for the sensitive—the elderly, children under seven, and those with respiratory problems (Aguilera, 2002). Other attractions also began to suffer. Instead of playing golf at Tamarron Resort (ranked in the top 50 resort courses in the nation by *Golf Digest*) just north of Durango or playing in the river (kayaking, tubing, or rafting), most tourists took their activities inside as dense smoke obscured the Sun. Tourism activities and expenditures were evaporating as the fire and smoke spread, and concerns over additional fires in the tinder dry region flared.

## THE CRISIS

The chance of accidental fires was all too real. Several small fires had already been started by stray cinders from passing D&SNG trains. In response to this threat, water tankers with small fire-fighting crews were scheduled to travel behind every train as a precautionary measure.

By mid-afternoon, Wednesday, June 19, 2002, D&SNG railroad Chief Executive Officer Allen Harper found himself caught between a rock and a hard place as the fire danger increased. See Figure 1 for a timeline of events. Continuing to run the coal-fired trains in the isolated tinder dry mountains could cause additional fires, and fire-fighting resources were already stretched.

January 1–June 15, 2002—Serious snow or rain clouds wanted. The area known as the Four Corners (bordering Colorado, New Mexico, Arizona, and Utah) was in the midst of a severe record-breaking drought.

June 8–August 8, 2002—The peak tourist season for the towns of Durango and Silverton, Colorado.

Sunday, June 9, 2002, Day One—A spark ignited dry timber north of Durango and the soon to be “Missionary Ridge Fire” began burning out of control, consuming over 6,000 acres in less than six hours.

Saturday, June 15, 2002, Day Six—the fire has consumed almost 20,000 acres.

Tuesday, June 18, 2002, Day Nine—A spark from the D&SNG started a fire just north of Durango. The fire burned about an acre of land before being put out by two water-carrying helicopters pulled away from the Missionary Ridge fire. This fire was controlled within a couple of hours (Schober, 2002), but the main fire races ahead uncontrolled for four miles, reaching a size of over 50,000 acres by the end of the day.

Wednesday, June 19, 2002, Day Ten—The Second Annual Adventure Xstream scheduled on the Animas River paralleling the D&SNG for Saturday, June 22, was cancelled due to the wildfires raging north of Durango.

Thursday, June 20, 2002, Day Eleven—President Bush declared a major disaster for Colorado, thereby making funds available to help homeowners, renters, business owners, and employees affected by the Missionary Ridge fire (Greenhill, 2002).

Friday, June 21, 2002, Day Twelve—Summer officially arrives. The Missionary Ridge fire near Durango continued to rage out of control, burning almost 60,000 acres.

1. Structures burned: 33 residences and 26 other structures
2. Evacuations: 1,760 homes
3. Percent contained: 25
4. Firefighters: 1,263
5. Firefighting costs: \$8.01 million (*The Denver Post*, 2002)

## FIGURE 1

Timeline of Events.

Yet business owners who feared lost revenues if the trains were idled urged management to keep the trains running. At the same time, managers of the San Juan National Forest were considering closing some or all of the 2,107,554-acre forest.

Harper had spent several hours talking with Silverton business owners who were dependent on train passengers for tourist dollars. They urged him to keep the train running. In addition, business owners from hotels and restaurants to jeep tour companies, fly fishing outfitters, and others in Durango also attempted to persuade him to keep the trains running. Yet, many residents who had no apparent interest in tourism and local officials urged him to close operations.

Earlier in the day, Harper and senior vice president Jeff Jackson rode a pop car (a small two-person rail vehicle) behind the morning train to Silverton to observe first-hand the railroad's expanded fire prevention measures. On that trip, Harper had seen four small fires that were ignited by smokestack cinders and personally stomped one out himself. By noon, the mountain valley close to the railroad's main line between Durango and Silverton was filled with smoke from the advancing Missionary Ridge fire (Schober, 2002). Harper, who had flown in from his office in Florida when the fire started, returned to his hotel room and weighed his options.

He knew he had to make a decision and announce it soon. Should he listen to local businesses, stay fully staffed and keep the trains running? Should he listen to concerned citizens and fire fighting officials and temporarily cease all operations and lay

off employees? Should he limit service to only the Thomas the Tank runs that stayed close to Durango in open areas away from the forests? If he did decide to suspend operations, how should he deal with customers who had already made reservations and planned their vacation travels around a ride on the D&SNG? Could local, state, or federal officials pre-empt his decision and order a shutdown for safety reasons?

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This case was prepared by Edwin C. Leonard, Jr. of Indiana University–Purdue Fort Wayne and Roy A. Cook of Fort Lewis College and is intended to be used as a basis for class discussion. The views represented here are those of the authors and do not necessarily reflect the views of the Society for Case Research. Authors' views are based on their own professional judgments. "Coping with Crisis" by Roy Cook and Edwin Leonard, Jr. (2003).

## ANY CITY CAN BE A TOURIST DESTINATION

ROY A. COOK AND BARBARA H. NEMECEK

### INTRODUCTION

Tourists are naturally attracted to destinations that are easy to access, are blessed with natural beauty, have well developed entertainment offerings, or offer consistently mild climates. What do you do if you are in a location that is devoid of all of these obvious attractors?

That was the question faced by decision makers in Wichita Falls, Texas. When the city leaders first embarked on their attempts to lure tourists to this secondary Texas city there was a great deal of skepticism, "... because of the area's perception as a sleepy, remote city with few amenities and scorching summers." (*City of Wichita Falls, Vision 20/20 Plan*, July 2008, p. 33) Wichita Falls was not known for its location, beauty, noteworthy attractions, dining, or recreation opportunities.

### BACKGROUND INFORMATION

Wichita Falls is a secondary city with a population of a little over 100,000 located in the Panhandle Plains of Texas. It is the focus of commerce in the region as it serves as the county seat and home for many governmental offices for Wichita County. In addition to governmental services, the city is an agricultural trading center and home to many independent oil and gas operations and Sheppard Air Force base, the training center for NATO pilots. Aside from these traffic drivers, there is little else that serves as natural attractions as the city sits in the nondescript high Texas plains, about 130 miles



west of the Dallas-Fort Worth Metroplex, 225 miles southeast of Amarillo, Texas; and 140 miles south of Oklahoma City, Oklahoma.

## FROM ECONOMIC POWERHOUSE TO MEDIOCRITY

The early days were filled with excitement and economic vitality. As Wichita Falls entered the 20th century, it was the crossroads for six railroads, setting itself up as a transportation and supply center for a large geographic area serving Northwestern Texas and Southeastern Oklahoma. If the railroads didn't create enough excitement for this High Plains Texas city, the discovery of oil in the early 1900s ushered in another gusher of economic activity. Oil companies and the related activities surrounding a boom town atmosphere created a thriving and vibrant city.

However, it seems like all good things must come to an end, and it finally did in the 1960s. As oil production declined in importance, wildcatters and producers switched their attention to other areas. So, the city switched its economic focus and looked to industry for new growth. Enter a new organization, the Industrial Development, Inc. (the precursor to the present-day Board of Commerce and Industry).

Things again looked promising as new businesses were successfully recruited bringing in new or expanded manufacturing facilities and employment opportunities. Once again, the future looked bright. But, just like in the past, these new economic activities began to evaporate. By the 1980s, manufacturing plant closures combined with a severe decline in oil prices came as a double economic whammy. It must have seemed to many residents that every time things started to look up that the future soon looked gloomy.

In the face of these setbacks, city leaders were not deterred. Throughout the 1990s and 2000s, Wichita Falls continued to seek economic diversification. Although these efforts resulted in some growth of the manufacturing sector, the economy remained relatively dependent on both the oil sector and government. The city began hosting more and more events, but it didn't seem as though anyone was thinking about tourism as being an economic engine.

The economic picture continued to deteriorate as the gravitational pull and regional transportation linkages with both the Dallas-Fort Worth Metroplex and Oklahoma City continued to increase in importance. In the shadow of these two giants it seemed like Wichita Falls' prominence as a regional trade center were destined to continue fading.

To compete successfully in this changing environment, Wichita Falls was forced to carve out a niche for itself and capitalize on the amenities and assets it could offer that other cities in the region could not. Part of this future was now dependent on recognizing and developing tourism products that would showcase the city and draw in visitors (*City of Wichita Falls, Vision 20/20 Plan*, July 2008).

## PLANNING FOR THE FUTURE

Wichita Falls elected a new mayor in 2005. He promised that the city would put into action some type of plan that would revitalize the city. With the downsizing of the largest employer in Wichita Falls, Sheppard Air Force Base, the area economy had taken a major downturn. There was considerable disagreement among the various stakeholder groups of the City—City Council, Economic Development Offices, Chamber of Commerce, and Downtown Council—on how they should proceed to revitalize the economy of Wichita Falls. The new mayor held numerous “Town Hall Meetings” with all the stakeholder groups. He hired a new City Manager, and a consultant to work on City Planning and Priorities. He established an Office of Economic Adjustment to assist the city in dealing with the Air Force base downsizing and resultant loss of jobs and dollars flowing into the economy.

After much study, discussion, and debate, the major stakeholders came together and developed a strategic plan, “Wichita Falls—Vision 20/20, City of Wichita Falls,” in July 2008. The vision statement: “A Vibrant Regional Center, Attractive to Talent and Investment” had three goals:

1. Develop, retain, attract, and engage talent,
2. Diversify and grow the economic base, and
3. Promote and enhance Wichita Falls’ quality of place.

The Plan focused on development of four key areas and was supported with specific strategies. The key areas of focus were the downtown (central business district), attracting talent, business development, and image and marketing. First, the downtown area was badly in need of revitalization. Changes in commercial development patterns in conjunction with a weakening of the city’s oil sector had resulted in decline and decay of a once thriving downtown commercial center. Second, attracting and nurturing talent was perhaps the most fundamental issue facing the city in its efforts to create a long-term sustainable economic vitality. Third, the assessment of industry considered the full complement of economic activities, ranging from traditional industrial employers to services, as well as the physical infrastructure and the business climate to support those activities. Opportunities for expansion of existing companies, the potential of entrepreneurship, and the importance of the service sector were recognized as building blocks for sustainability and growth. Finally, there was a need to improve the community’s image—both internally and externally. It was difficult to draw people to Wichita Falls, but it was soon recognized that if they liked it when they visited, they would come again or even relocate.

Table 1 shows the strategies that were designed to support each of the key areas of concern.

All of these activities resulted in the completion of the “Vision 20/20 Plan” in July 2008—naming Wichita Falls “The Gateway to Texas.”

## **TAKING INVENTORY AND LAYING THE FOUNDATION FOR INCREASED TOURISM TRAFFIC**

Although there is little in the way of natural beauty or urban amenities to attract visitors, the city had a number of features that could be developed as attractors:

- The city’s downtown baroque architecture (built during the 1930’s oil boom) could be revived and utilized,
- The people of the city, with training and confidence in what there is to see and do, could serve as ambassadors,
- There is a lake, hiking trails, a wildlife refuge and parks (all still needed further development), and
- There are many events and gatherings.

Of particular importance to tourism development was the large number of events held throughout the year as shown in Table 2.

Wichita Falls is also home to Midwestern State University, which hosts a number of cultural and athletic events, and the city also hosts the WildCats, a National Hockey League minor league team. In addition, visitors will find a water park, including a Wichita Falls Water Falls (built with Niagara Falls rock), and a variety of museums and historic buildings. While in Wichita Falls, visitors can choose from 26 lodging properties with a total of 2,200 rooms. Wichita Falls is mainly a drive market, but the city has minimal and improving air service.

**Table 1** Strategies Developed to Support Plans for Development and Growth

Strategies developed to revitalize the downtown area	
1. Formalize tools for promoting revitalization.	
2. Support the establishment of “anchors.”	
3. Use residential development as a primary catalyst.	
4. Develop a retail strategy emphasizing “destination” retail.	
5. Target professional services, company headquarters, and entrepreneurship to alleviate the surplus of office space downtown and surplus of office workers in Wichita Falls.	
Strategies developed to attract talent	
1. Re-establish ties to former residents.	
2. Initiate and maintain a Sheppard Air Force Base veterans’ inventory.	
3. Continue supporting educational excellence.	
4. Align economic development and education programs—K-12, vocational, 2-year, 4-year.	
5. Develop new generations of leaders.	
6. Continue efforts of Workforce Development Task Force.	
Strategies developed to support business development	
1. Expand healthcare cluster.	
2. Enhance professional services cluster.	
3. Continue the development of industry clusters in the region.	
4. Continue business retention and expansion activities.	
5. Promote entrepreneurship in the region.	
6. Foster regionalism.	
7. Continue to pursue new missions for Sheppard Air Force Base.	
8. Encourage growth in the tourism sector.	
Strategies developed to support image and marketing	
1. Commission a community-wide marketing and image plan.	
2. Designate an individual to manage the city-wide marketing campaign.	
3. Initiate a local positive image campaign.	
4. Continue to build awareness of the region among decision makers in target industries and site selectors.	
5. Maximize the impression of Wichita Falls to visitors.	
6. Continue city-wide beautification initiatives.	

**Table 2** Yearly Events

Red River Wine Festival	Rodeo
Western Swing Music Festival	Ballet Theater
Texas-Oklahoma Oil Bowl	Downtown Strolls
Texas Ranch Roundup and Festival	Wichita Falls Symphony
Hotter 'N Hell Hundred Bike Race	Kemp Center for the Arts
Downtown City Lights Festival	Cajun Fest
Midwest State Univ.—Burns Lights Display	Cinco de Mayo Celebration
St. Patrick's Day Celebration	Texoma Golf Tournament
Zombie Crawl	Falls Fest
Red Dirt Fest	Tornado Alley Racquetball Tournament

Faced with location and amenity challenges, key tourism stakeholders set about to participate in repositioning the city as a tourism destination. Because tourism is a conglomeration of many industries and needs the coordination of a wide variety of enterprises and agencies are needed, planning was never easy.

The first order of business was to hire a director for the project, and then work with the stakeholder groups, each of which had their own marketing plan, to develop an “Overarching Brand” for Wichita Falls. All groups agreed to work together on one primary project—this included the Board of Commercialization and Industry (Chamber including the Economic Development Corporation), the Downtown Wichita Falls Association, and the City of Wichita Falls. To support these efforts a fundraising campaign was launched and gathered \$1,500,000 with \$500,000 allocated to fund projects and programs in each of the first three years.

The meetings, discussions and the development of a plan took over a year and involved input from over 2000 people in the community. They spent a great deal of time defining “who” Wichita Falls was, and “what” they wanted to be. The end result was a logo, a brand, and a marketing plan for the community. This campaign was called “Pride in the Falls”—Blue Skies—Green Spaces—Golden Opportunities. Planning began in 2009 and the new campaign was rolled out in 2010. Many of the first campaign items touted: “Best of \_\_\_\_\_ (you fill in the blank).” Or, slogans like, “Quirky, interesting people and places—only a couple of hours from \_\_\_\_\_” (you fill in the blank). Another idea that gathered a lot of attention among residents was the T-Shirt Campaign. These tee-shirts sported slogans such as, “We’re Not in Kansas—Never Were: Wichita Falls, TX,” “Red Draw—Not an Art Project: Wichita Falls, TX,” and “It’s OK to have a cow: Wichita Falls, TX.”

A key component of the initial campaign was to focus on general marketing communications—to tell the story to its own citizens first, selling them on the excitement of Wichita Falls. Sixty percent of the funding for the first campaign was directed internally, while 40% was directed externally to tell the story outside the community and draw people to Wichita Falls. This portion of the campaign was directed particularly toward Texas and southern Oklahoma. Ads were placed on buses, in magazines and in brochures.

Wichita Falls flags were sold to local residents and businesses. A publicity campaign was launched promoting the fact that the city had been named the “6th Best Value of Living” in the U.S. Literature was placed in the hotels and restaurants. The overall tagline was “Blue Skies—Golden Opportunities,” and the Chamber promoted “Hard working—Easy Living” featuring well known local leaders, the CVB promoted “Find Yourself in the Falls,” and the Downtown Association promoted “Downtown Proud.” The campaign was designed to build a “fulfilling sense of community”—potential financial opportunities and entrepreneurial possibilities comparable to bigger cities for newcomers, and a sense of community in the welcoming fellowship for temporary residents—military-based personnel and academics. An ad campaign was launched: “Troups First—First in our Hearts, First in Line” which gained national attention and awards.

There were Public Relations Placements and Signature Events, all with organized and coordinated marketing pieces. An initial area of concentration was to bring back, revitalize and grow the older events the city had been known for like the Oil Bowl and the Ranch Round-up. This was followed by the development of some new events particularly concentrating on downtown development and regional sports activities. “Because of a general lack of awareness of events, activities and attractions, a portal site with a common community calendar was developed. For the first time, one, easy-to-use calendar generated from a variety of organizations and sites existed for the citizens of Wichita Falls.” (*The Visual Brand, Wichita Falls, Texas*, 2011, Texas, p. 8). Overall the promotional messages concentrated on (1) Quality of Life in Wichita Falls, (2) Tourism and Events, and (3) the Image of Wichita Falls.

## CONTINUING THE CAMPAIGN

During the second year of the campaign (2011), the promotions became less generic and more specific. The ads touted the importance of the city and Sheppard Air Force Base. One of the television ads: “Troops First” gained national attention, and won an award for excellence. Another series of ads were addressed to “Fly Wichita Falls” when jet service was added to the local airport. Air traffic increased solidly with this campaign. Pride Promotions included some Texas stars in the campaign—Willie Nelson, etc. The number of sunny days in Wichita Falls was touted, its importance as an Air Force training center was highlighted, and the “golden opportunities for business” were showcased. The campaign’s promotional concentrations were reversed for this stage of the campaign with 40% of the message being directed internally and 60% directed externally.

Throughout the campaign, the “Theme and Logo” were developed and utilized in:

- Advertisements—print in newspapers and magazines across the state, and on highways north, south and west,
- Media—either event advertising or personal testimonials on quality of life of Wichita Falls residents,
- Brochures and all collateral materials,
- Buses, utility box covers, etc.,
- Signage throughout community, and
- Events.

The new brand depicted a partial drawing of the northern Texas border, with a star placed where Wichita Falls is located. The “Blue Skies—Golden Opportunities” tagline was used throughout.

Other promotional activities were directed at building differentiators for the city into advertising and promotions. One targeted message was designed to help the city become known as the “Extreme Sports Capital of Texas.” Other examples of these efforts include hosting the:

- Oil Bowl (High School Football “All Star” game between Texas and Oklahoma),
- Hotter ’N’ Hell Hundred (100 mile bike race over 100 degrees—25,000 attendance), and
- Zombie Crawl (downtown evening stroll) and a Zombie 5K.

In the latest phase of the campaign, the emphasis has been on setting up focused events. Each of these events has an underlying theme, “Extreme Wichita Falls Events.” To reinforce this theme, there is a certification and stamp given out by the city to event organizers and planners. If the event has something unusual or distinctive, it can get the “stamp” of “Extreme Wichita Falls” which can then be used in their promotional literature. For example, landing a new semi-professional football team—the “Wichita Falls Nighthawks” is a perfect example of what city planner are trying to accomplish with this new theme. In Texas, where football reigns supreme, this type of event can become a major draw. The celebrity guest for the family event “kick off” was legendary quarterback and family-values spokesperson, Tim Tebo, so the organizers sought out and were granted the City stamp: “Extreme Wichita Falls.”

## THE RESULTS

With a great deal of focus on bringing tourists to the city and hard work, the skeptics were proved wrong and Wichita Falls saw an increase in tourism traffic. With a great deal of focus on bringing tourists to the city and hard work the skeptics who thought, “Why would anyone come to Wichita Falls?” were proved wrong and the city saw an increase in tourism traffic.



One simple metric that can measure this increase was the change in lodging tax receipts. These receipts increased from \$1,429,656 in 2009 to \$1,564,204 in 2011. This was an over 9% increase during extremely difficult economic times. In addition, there are many other tangible and intangible benefits that can be cited to demonstrate the success of the campaign.

Since launching the “Pride in the Falls” campaign, the city has experienced an increase in tourist visits. Some of the initial results of the campaign include:

- Four percent of citizens surveyed said they noticed an increase in community pride,
- Texas Governor Rick Perry made a special trip to Wichita Falls to recognize the campaign,
- Seven regional and state-wide awards have been received for the campaign,
- Positive press in *National Geographic Traveler*, *Travel + Leisure*, *Texas Monthly*, *Bike Magazine*, *American Cowboy Magazine*, *Outside*, *USA Today*, *The Wall Street Journal*, plus many more, and
- This was just the beginning.

## WHAT WE CAN LEARN

As the Mayor and the people directly involved in the “Pride in the Falls” campaign regularly state, “This campaign was designed to build brand awareness exclusive of job creation.” The aim of the campaign was to build a “favorable environment” for positive developments in the community. Therefore, comprehensive tracking through the tourism industry was not done. But, the taskforce believed the campaign had a very positive effect on the community and its development. Since launching the “Pride in the Falls” campaign, the city has experienced an increase in tourist visits, and number of events and attendance at these events has been up overall.

There is general consensus that the “Pride in the Falls” campaign has had a positive effect and should be continued. Everyone was pleased with the effect the campaign had upon all the community constituent groups and how they learned to work together for increased effectiveness in all their organizations. The citizens of Wichita Falls demonstrated that any city, no matter what the obstacles, can be a destination. What can be learned from their experiences and applied to other city’s seeking to attract the export income of tourism?

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## STRUGGLING TO SERVE THE CANNABIS TOUR NICHE

LORRAINE L. TAYLOR AND DEBORAH L. WALKER

## INTRODUCTION

“What a great entrepreneurial opportunity,” John Mace thought. Now that recreational marijuana was legal in Colorado, and several local distributors had opened for business. John thought that he could take advantage of this new market by offering tours to bring visitors to a local growing facility and a retail shop. His “cannabis tour” would be a great addition to the local tourism industry and he could be a “cannabis

concierge” who provided information and education to tourists in addition to transportation to the locations. After all, John lived in an area where tourists loved to visit; the city of Durango in the mountains of southwest Colorado.

Durango was a small resort city of nearly 18,000 residents. As the county seat and home to a small liberal arts college, it was the governmental, retail, and cultural “hub city” of southwestern Colorado. People visited the city for a variety of reasons and it seemed that it was always bustling with activity. Through careful preservation of its historic western architecture, the city boasted a vibrant downtown filled with the arts, shopping, and nightlife.

The area provided abundant opportunities for biking, skiing, hiking, white water rafting, kayaking, hunting, and fishing. In addition, the city was home to the historic Durango and Silverton Narrow Gauge Railroad and was situated within easy driving distance of Mesa Verde National Park and the historic mining towns of Silverton and Ouray, Colorado.

The city’s outdoor recreation opportunities and the surrounding mountain scenery were wonderful attributes. However, in addition to all of these attractions, many residents considered the city’s best attribute to be its family oriented atmosphere. To many, this formed the bedrock of the residents’ quality of life. It also was seen as one of the reasons that the area attracted tourists.

## COMPANY INFORMATION

The operation for High Up Tours and Transportation began very simply. The business was completely mobile and John was the only employee who drove a single luxury van. John would pick up tourists from the airport or their hotel and transport them to a retail marijuana shop and growing facility while providing commentary about the industry and the laws and regulations that govern the purchasing and consumption of cannabis for non-residents. What made John’s business different from other transportation and tour companies was his love of the mountains and his personal touches. As he explained on his website, “With us, you’re not just getting a driver and a ride, but a guide who was completely invested in providing you with a remarkable experience.” As a one-man show, John gave every customer his own personal service.

John received his bachelor’s degree in Communications and began a career in marketing and brand management. He gained experience in the alcohol and tobacco industries and was a territory manager in Durango, Colorado, when Amendment 64 was passed initiating the legalization of recreational marijuana. John had an entrepreneurial spirit and realized the potential for marijuana tourism as a new niche segment. John began building relationships with local growing facilities and recreational shops and started High Up Tours to be designed around his new “cannabis tour.”

In anticipation of the potential for a new market of marijuana tourists, John leveraged his relationships in the community to partner with retail stores that sold recreational marijuana as well as a location where the plants were grown locally. He designed the cannabis tour to include transportation to the store and the grow site and also his guidance as a cannabis concierge to not only make recommendations for local marijuana businesses but also to act as an educational guide and inform tourists of regulations and laws to keep them safe while purchasing and consuming marijuana in Colorado. As start-up with a limited marketing budget, John’s marketing strategy was exclusive to promotions on his website as well as identifying potential partners within the local tourism industry who could build packages for tourists that included cannabis tours.

Despite the potential for marijuana tourism to make a positive impact on the economy in Durango, John was surprised how hesitant tourism businesses were to partner with High Up Tours. Purgatory, the local ski resort, and the historic Durango and Silverton Narrow Gauge Railroad were two of the top attractions in the area and both declined an invitation to partner with High Up Tours because of its association with marijuana.

John had perhaps been blinded by the potential of legal marijuana as a motivator for tourism and had not considered the potential conflicts within the existing tourism community when he started his cannabis tour business. But he soon discovered that being associated with a product that, although legal in the state of Colorado, was still considered illegal by Federal standards, posed its own business problems. Furthermore, marijuana use was still seen as anti-family, dangerous and not something that a wholesome vacation would include. He tried to break into the local tourist market by teaming up with the destination management organization that promoted tourism in the area but he was soon met with resistance. Should John continue to pursue the potential target markets for his cannabis tour? How might he navigate the conflicts from within the existing tourism community?

### THE INDUSTRY – CANNABIS TOURISM

Although cannabis tourism was growing, city and state tourism boards still shied away from promoting marijuana as an attraction. Marijuana lounges were against the law, and hotels were quick to provide their no-smoking policies when someone asks about using a marijuana vaporizer in their room or smoking a joint on a hotel balcony (PotGuide.com).

According to the Colorado Pot Guide:

*“Marijuana tourism is a huge industry in Colorado. While more and more hotels and lodging providers are starting to accommodate the cannabis tourism market segment, it is still early enough in the game that many commercial lodging providers are still defining their policies or are hesitant to publicly market themselves as marijuana friendly”* (ColoradoPotGuide.com). As lodging properties struggled with how to accommodate 420 guests, private accommodations were filling the gap.

Although Durango had not seen dramatic growth in cannabis tours, other areas in Colorado had. Cannabis tours were seen as a popular option to gain insight into the industry and get a behind the scenes look into specifics into industry operations. Many tourists who came to Colorado had no information about buying marijuana, or even about consuming it. These tours could be a way to educate the new consumer. Tour companies across the state offered visits to commercial marijuana grow operations, glassblowing demonstrations, recreational dispensary visits and more.

The tour companies all offered unique tours with their own perspective on the cannabis industry in Colorado. Some tour companies primarily focused on group tours in a large limo bus, while others, such as High Up Tours and Transportation, focused on smaller groups or private concierge style services.

### TOURISM IN DURANGO, COLORADO

In 2014, Durango received recognition for several awards. These awards included Top Value Ski Spot in North America by Trip Advisor, Top Ten Western Town by True West Magazine, and were included on the lists for Best Motorcycle Trip and Best U.S. Cycling Town by USA Today’s Reader’s Choice.

There were two visitors’ centers in the area and nearly 150,000 visits from tourists were recorded in 2014 in addition to over 450,000 visits to the tourism website and over 40,000 requests for hard copies of the travel planner. Geographically, Durango had identified that most visitors drive in from the key target markets from other areas of Colorado (Denver, Grand Junction, Colorado Springs), New Mexico (Albuquerque, Farmington, Santa Fe), Texas (Dallas, Houston, Austin, Amarillo, Lubbock), and Arizona (Phoenix, Flagstaff, Sedona). The only origin cities with direct

flights to Durango were Denver, Dallas, and Phoenix (Durango Area Tourism Office Community Briefing 2015).

Local tourism data showed that Durango was continuing to be a popular attraction. The number of enplanements had increased 0.81% from 191,980 passengers in 2013 to 193,537 passengers in 2014 (La Plata County Airport). Another important tourist attraction in Durango was the Durango and Silverton Narrow Gauge Railroad. Ridership on the train increased by 9.8% from 2014 to 2015 (Durango and Silverton Narrow Gauge Railroad). Mesa Verde National Park, a little over an hour from Durango, had 501,563 visitors in 2014, up 8.9% from 2013 (U.S. National Park Service). Furthermore, Durango's lodger's tax revenue increased by 11.6% from 2013 to 2014 (City of Durango, Colorado).

## THE CONSUMER AND MARKET DEMAND

As of January 1, 2014, recreational marijuana possession and sale were legal in Colorado, within certain limits. All buyers must be 21, and the Department of Revenue regulated all licensing. While Colorado residents may have medical marijuana cards allowing them to purchase at a lower tax rate and at a greater number of locations, out-of-state visitors must purchase from retail marijuana vendors exclusively. There were different limits for sales to residents of the state of Colorado than to tourists from other states or countries. In a single transaction from a recreational marijuana store, residents may purchase 28 grams (or one ounce) while tourists may only purchase 7 ounces.

However, the possession of marijuana was the same for both residents and tourists. No one may have more than 28 grams (or one ounce) in possession. This meant that it is legal for tourists to visit more than one shop and make multiple purchases of 7 grams to add up to their 28 grams (or one ounce) of possession. However, tourists must consume their purchases while they were in the state of Colorado as it was illegal to cross state borders into a state that had not legalized recreational marijuana. For both residents and tourists, it was illegal to consume marijuana on public property.

According to Carrie Roberts, founder of 420 Intel Agency, a Colorado-based marijuana mystery shopping company, the fastest-growing demographic shopping at marijuana dispensaries was 35- to 50-year-old women as well as people born from 1946 to 1964—the boomer generation. Roberts also reported that older adults had the disposable income needed to purchase marijuana. “The average dispensary customer spends \$156 a month,” she said (Louisville BizBlog).

A study prepared for the Colorado Department of Revenue by The Marijuana Policy Group found that purchases by out-of-state visitors represented about 44% of metro area retail sales and about 90% of retail sales in heavily visited mountain communities (such as Durango). Visitor demand was most prevalent in the state's mountain counties, where combined medical and retail marijuana sales more than doubled after retail sales were legalized in January, 2014 (Market Size and Demand for Marijuana in Colorado).

Tourist destinations had a high ratio of visitors to residents, so the inception of the retail market services a large amount of marijuana demand by tourists. In a 2015 study, on average tourists spent more money per transaction when purchasing recreational marijuana (\$104) compared to local residents (\$65). While local residents had smaller transactions and were mostly purchasing bud, tourists were more likely to purchase a variety of products in addition to bud (hash, edibles, topicals, concentrates). Tourists relied on the internet for information about where to purchase marijuana and chose the store based primarily on location while residents relied on word-of-mouth for information and were more concerned with service and product quality when deciding on the store where they would make their purchases (Profiling Marijuana Tourists).

Retail prices in mountain communities were 50%–100% higher than prices for similar marijuana strains in metropolitan areas such as Denver. The price difference was

most pronounced for small purchases. For example, a single gram serving near Keystone, Colorado (a resort mountain area) cost \$14.00, whereas the same gram for an identical strain cost \$7.00 in Denver (Market Size and Demand for Marijuana in Colorado).

The Marijuana Policy Group study also estimated that annualized marijuana demand for tourists was between 2.15 and 2.54 tons of marijuana (2014). However, this figure was expected to increase as more counties and tax districts began permitting retail store fronts. The study estimated that tourist demand for marijuana in the mountain areas would double within the next couple of years (Market Size and Demand for Marijuana in Colorado).

According to Harvard University economist, Jeffrey Miron, in 2016, another 5 to 10 states will likely consider legalization of recreational marijuana—possibly Arizona, California, Delaware, Hawaii, Maine, Maryland, Massachusetts, Montana, Nevada, New York, Rhode Island, and Vermont. Opinion polls showed that marijuana legalization now commanded majority support across the country (Why Congress should legalize pot).

If and when this happens, visitor demand in Colorado should begin to decline as people are able to buy marijuana in other destinations or at home. But all of this is uncertain and for the immediate future, demand should remain strong.

## THE COMPETITION

There were plenty of companies in the area offering tours: Durango Artisanal Tours, Durango Rivertrippers & Adventure Tours, Mild to Wild Rafting & Jeep Trail Tours, Southwest Raft and Jeep, 4 Corners Whitewater, Durango Rafting Company, Outlaw River and Jeep Tours, Flexible Flyers Rafting, Hermosa Day Tours, Mountain Waters Rafting & Adventure Co Day Tours, Redmond Classic Tours, Wilderness Journey. However, only one other had taken the step to offer cannabis tours (Durango Artisanal Tours). John thought that with just one competitor, he could still profit from having a “first mover advantage.” Durango Artisanal driving tours, which was similar to John’s scenic tours, was priced from \$140 to \$160 per person (six person maximum, four person minimum). John’s comparable tours were priced to give larger groups a large discount. The price for one to two people was \$349. Three to six people could do the tour for \$399.

While John initially started High Up Tours to operate cannabis tours exclusively, he soon realized that cannabis tours were only slowly growing in popularity and he was missing opportunities to provide basic transportation services or include other tour segments such as brewery tours and scenic tours. His competition in the basic transportation business included Animas Transportation, Buck Horn Limousine, Cortez Cab, Durango Cab, Mountain Limo, Purgatory Resort, Redmond Classic Tours, Silverton Shuttle, Telluride Express, Tellurides, and Wilderness Journeys. His target market was difficult to define and he saw a wide range of demographics but regardless of their age and income, cannabis was only an “appetizer” to these tourists and they wanted to experience more of what Colorado had to offer during their visit. Based on this observation, John made changes to his business model to offer a wider variety of tours and transportation services. John saw an immediate financial return when he began to promote brewery tours, scenic tours, and airport transfers. Within a few months, he estimated that only 20% of his business was coming from cannabis tours.

## THE CONTROVERSY

As a Destination Management Organization, The Colorado Tourism Office (CTO) had been closely monitoring how the legalization of marijuana impacted tourism in the state. The CTO acknowledged that marijuana tourists were a new market that



encouraged the growth of marijuana tourism related businesses and opportunities for entrepreneurs such as John.

Tours of growing facilities and stores were increasing around the state, as well as companies that partnered with hotels to provide vaporizers to hotel guests wishing to consume marijuana while staying at the hotel. Marijuana resorts were developing into retreats where tourists could participate in marijuana related activities during their vacation after making their purchases at licensed retail stores. Despite the potential for growth, there were marketing regulations in place that restricted the inclusion of marijuana promotion in any marketing material that specifically targeted tourists from out of state.

In 2014, there were over 71 million visitors to Colorado bringing in \$18 billion into the economy and supporting more than 150,000 jobs (Colorado Budget Committee). A concern of the CTO was that preliminary research showed that marijuana tourists were a very small segment compared to other target markets, such as the family segment. Colorado offered opportunities to participate in outdoor recreation activities year round and a shift toward the perception of Colorado as a marijuana tourism destination had the potential to turn away their very profitable family target market. After all, family oriented tourists could choose other states where recreational marijuana was still illegal as destinations for skiing in the winter and rafting and hiking in the summer. Based on the desire to protect the future of the family friendly market, the CTO took the stance that they would not actively promote recreational marijuana in any of their initiatives to improve and increase tourism in the area.

Many towns and regions of Colorado had smaller Destination Management Organizations that followed the lead of the CTO. Andrea Seid, the Sales & Marketing Manager for the Durango Area Tourism Office (DATO), had the responsibility to identify target markets and reach them with marketing messages about why they should visit the Durango area. Andrea was a respected professional who had worked in the tourism industry in Durango for over a decade. She had been closely following what was happening with marijuana tourism and had been careful to follow the direction of the CTO and exclude any promotion of marijuana in her marketing material. Her marketing budget came directly from the allocation of Lodger's Tax and she was committed to aligning with the CTO's position to be responsible about spending public dollars.

Andrea was also the gatekeeper for all businesses requesting a listing on the DATO website. Many tourists searched online for information about the Durango area and are at some point directed to the DATO website, as it contains a variety of useful information to travelers. Having a listing on the DATO website was free to local businesses in the tourism industry. A relatively new and unique challenge that Andrea was encountering was the job of evaluating whether businesses were related to marijuana before approving their listing that could link tourists to a website with content promoting marijuana.

John initially reached out to DATO to request that his business be listed and linked on the website when he was primarily focused on cannabis tours. His request at that time was denied because the DATO board was firm on their stance that they did not actively promote marijuana tourism.

After being in operation for a few months, John started to realize that cannabis tours were a very small niche compared to other tourist activities offered in the Durango area. He realized that recreational marijuana was only "an appetizer" for most tourists; it was not the primary reason why they were visiting. He decided to expand his business to also include scenic tours, brewery tours, and airport transportation. He found that these services, despite facing area competition, brought in more revenue than the cannabis tours had brought in. John figured this expansion and rebranding would make him eligible for a listing on the DATO website. But when he reached out to Andrea Seid, his request was denied again.

### JOHN'S DECISION

After a series of heated email exchanges John and Andrea eventually came to an agreement that his business would be listed on the DATO website after all of the marijuana related content was removed. John realized that this decision was bigger than just the website listing. If the scenic tours, brewery tours, and airport transportation services were more profitable, should John consider abandoning cannabis tours altogether and put all of his resources into his other services? If it was worth it for him to remove the marijuana content from his website in order to get a listing through DATO, was he even in the cannabis tour business anymore?

It seemed like an easy decision but on second thought, he had been the first cannabis tour business to operate in Durango. He also thought that as more and more people got used to the idea of legal marijuana, the stigma of it being dangerous and anti-family might fade. Furthermore, more states were considering legalizing recreational marijuana. This trend could eventually lead to federal legalization, which could also change how people viewed marijuana use. He was not sure he wanted to give up his “first in the market” position just yet.

Clearly, the next step for John was an important one. Should he continue to operate the cannabis side of his business or simply stick to brewery tours, regional scenic tours, and airport pickup services?

# GLOSSARY

## A

- à la carte** A menu in which each item is priced and prepared separately.
- Accommodations** Loosely defined as establishments engaged primarily in providing lodging space to the general public.
- Accounting** A service activity of business designed to accumulate, measure, and communicate financial information to various decision makers.
- Adventure tourism** Tourism that involves activities with an above-average element of physical risk.
- Age cohort** A generation affected by common experiences.
- Air Transport Association (ATA)** A domestic association that provides a format for discussing safety and service issues and promotes the advancement of technology.
- Airlines Reporting Corporation (ARC)** The clearinghouse for receiving commission payments for airline ticket sales.
- Airport code** A three-letter designation used to identify specific airports.
- All-inclusive** Single price for all or nearly all major services provided in a tour, resort, or cruise package.
- Allocentric** See Venturers.
- Amenities** Goods and services provided with accommodations that contribute to guest comfort.
- Amtrak** The marketing name for the National Railroad Passenger Corporation, which is a combination of the passenger rail services of U.S. railroads.
- Appropriations** Funding provided through governmental entities.
- Aquaculture** The farming and cultivation of water plants, fish, and crustaceans, such as kelp, salmon, catfish, oysters, and shrimp, in large quantities for human consumption.
- Attractions** Natural locations, objects, or constructed facilities that have a special appeal to both tourists and local visitors.
- Authenticity** An item or activity that is original and genuine to the origins of culture.
- Available seat miles (ASMs)** The distance traveled multiplied by the number of seats available.

## B

- Banks of flights** The process of coordinating flight schedules so that aircraft arrive and depart during similar time periods.

**Banquet** A food and beverage function designed, priced, and produced for a client usually for a single event or occasion.

**Banquet event order (BEO)** A contract for a meeting or other special occasion that details the date, the sequence of events, special needs, foods and beverages, prices, and guaranteed quantities.

**Benchmarks** Performance measures that are used by similar types of businesses to monitor key operations.

**Berths** Beds on a ship.

**Best available rate (BAR)** A guaranteed price that the guest is quoted the lowest available rate for a night's stay.

**Biometrics** Technologies for identifying and verifying an individual's physiological characteristics such as fingerprints, handprints, facial features, and irises.

**Blogs** Online journals composed of links and postings in reverse chronological order.

**Booking** A reservation.

**Botanical gardens** Gardens dedicated to the preservation, display, and study of growing plants.

**Break-even** The level at which total sales equals total costs.

**Brigade** A team of foodservice employees, for example, the service brigade (all service personnel) or the kitchen brigade (all kitchen personnel), in which each member is assigned a set of specific tasks.

**Bumping** The process of denying boarding to airline passengers with confirmed reservations due to overbooking (overselling) the flight.

**Business** An organization operated with the objective of making a profit from the sale of goods and services.

**Business travel** Travel-related activities associated with commerce and industry.

## C

**Call centers** Centralized locations designed and managed to handle large volumes of incoming telephone inquiries, in many cases on a 24/7 basis.

**CANRAILPASS** Allows 12 days of economy class travel within a 30-day period anywhere VIA Rail goes in Canada.

**Carrying capacity** A key concept in environmental impact analysis that relates to the amount of use an environment is capable of sustaining under certain circumstances.

**Cartography** The science or art of making maps and interpreting mapped patterns of physical and human geography.

**Catering** A department within a restaurant, hotel, or resort property that is charged with selling and planning special meetings and food and beverage events.

**Chain operations** Groups of properties that are affiliated with one another and have common ownership and/or management control and oversight.

**Circle-trip flight** A flight plan that includes return to city of origin but via different routing or airline.

**Code-share** An agreement allowing a regional/commuter airline to share the same two-digit code of a cooperating primary carrier in the computer reservation system.

**Commissary** Central storage area where food and supplies are received and kept until requisitioned.

**Commissions** The percentage paid to a sales agent (travel agent) by tourism suppliers for booking travel arrangements.

**Comparative advantage** The benefits of one alternative relative to another.

**Computer reservation systems (CRSs)** Computer hardware and software that allow travel agents to tap into global distribution systems.

**Concessionaires** Individuals or companies who have been granted the right to provide a particular service such as food service, guide service, sanitation service, or gift shop.

**Concessions** Retail outlets offering goods and services to customers in self-contained settings such as airports, museums, stadiums, and zoos.

**Concierge services** Services provided by employees who specialize in meeting the special requests of guests and provide guest services such as making reservations and supplying information.

**Configured (rooms)** Rooms with a well-planned design developed to meet user needs for efficiency and effectiveness.

**Connecting flight** A flight plan that includes a change of aircraft and flight number.

**Consolidators** Wholesalers who buy excess inventory of unsold airline tickets and then resell these tickets at discounted prices through travel agents or, in some cases, directly to travelers.

**Consortium** An affiliation of privately owned companies to improve business operations and gain the necessary volume of business that can lead to improved profitability.

**Constituent groups** Subgroups of citizens with a set of common needs or wants.

**Consumer behavior** The study of consumer characteristics and the processes involved when individuals or groups select, purchase, and use goods, services, or experiences to satisfy wants and needs.

**Contribution margin** What is left of the sales price after deducting operating costs.

**Convenience charges** Additional charges added to basic services that are designed to increase profitability.

**Convention and visitors bureau** An organization whose mission is to develop tourism to an area by attracting both professional and leisure travelers.

**Convention center** A property developed to serve the special needs of groups, especially regarding meetings and trade shows.

**Cooperative alliances** Long-term relationships that enhance operating efficiencies, profitability, and market share for all parties.

**Cost per key** Cost to construct and furnish each hotel room.

**Cost-benefit analysis** A method used to determine the relative impact of a development, in which total costs and total benefits are estimated and then compared.

**Cruise director** The person who plans and operates passenger entertainment and activities onboard a cruise ship.

**Cuisine** A French term pertaining to a specific style of cooking (such as Asian cuisine), or a country's food in general (such as Mexican cuisine).

**Culinary** The creative arts and crafts of preparing foods.

**Culinary tourists/tours** Travel for unique eating and drinking experiences in the context of the local culture.

**Culture** The practices of a society; its customary beliefs, social roles, and material objects.

**Curator** Person in charge of a museum.

**Customer Relationship Management** Understanding customer needs and building relationships by analyzing databases of information from multiple sources including websites, emails, social media, and other customer touch points to increase sales and profitability.

## D

**Data** Facts and figures.

**Data mining** Analyzing information stored in computer databases with the help of statistical techniques to uncover hidden relationships and patterns.

**Deck** The equivalent on a ship to a floor or story of a hotel.

**Demographic segmentation** Dividing consumer markets based on demographic data such as age, education, income, gender, religion, race, nationality, and occupation.

**Demographics** Characteristics used to classify consumers on the basis of criteria such as age, education, income, gender, and occupation.

**Demonstration effect** Display of material goods and wealth by tourists leading to envy by local residents based on either the perception or the reality of being less fortunate.

**Dependables** Travelers who seek the comforts of familiar surroundings.

**Destination image** The detailed impression an individual or target segment has of a specific destination.

**Destination Marketing Organizations (DMOs)** Organizations that are dedicated to promoting tourism activities in a town, city, county, province, or region.

**Destination resorts** Properties that are relatively self-contained and provide a wide range of recreational and other leisure-time activities.

**Destination vision** An inspirational portrait of the ideal future that the destination hopes to bring about at some defined future time (usually in 5, 10, 20, or 50 years).

**Direct flight** A flight plan that includes one or more intermediate stops but no change of aircraft or flight number.

**Disembark** To go ashore from a ship.

**Disposable income** Household income after paying taxes that is available for personal use.

**Distressed inventory** Tourism services that have not been sold as the date of use approaches.

**Docent** A museum guide.

**Domestic independent tour (DIT)** Customized domestic tour including many elements, designed and planned to fulfill the particular needs of a traveler; may be designed by a travel agent or by a wholesaler in consultation with the traveler's agent.

**Dynamic packaging** The ability to aggregate multiple tourism service supplier offerings (e.g., air, hotel, and car) in real time into a package.

## E

**Ecological capacity** The maximum level of users that an area can accommodate before ecological damage is incurred.

**Ecological tourism (more commonly called ecotourism)** A form of tourism that focuses on environmental and cultural preservation.

**Economics** The study of the choices people make in using scarce resources to meet needs.

**Economies of scale** Savings in time, money, or other resources organizations enjoy as the result of purchasing and/or selling in large quantities, specialization at a particular job or function, and the use of specialized machinery.

**Ecotourism** A form of tourism that focuses on environmental and cultural preservation.

**Ecotourists** Leisure travelers who prefer to visit less popular, more primitive destinations.

**Ecotravelers** Travelers who visit sensitive, natural, and cultural environments to observe and learn about a very different culture and environment and participate in low-impact sports activities.

**Efficient foodservice response (EFR)** Partnership agreements created among manufacturers, distributors, and foodservice operators to lower food costs and improve the quality of service.

**Elastic demand** A change in the quantity of goods or services used in a proportion that is greater than changes in prices.

**Embark** To go onboard a ship.

**Employee turnover** A number of employees who leave their jobs because they intentionally miss work, quit, or are terminated.

**Enterprise resource planning (ERP) system** A system designed to combine all information sources, subsystems, and processes from various locations into one unified system.

**Enterprise systems** Computer systems that provide for collaboration and communication of data storage and retrieval across multiple departments and organizational units.

**Entrepreneurial** Assuming the risks of a personally owned business.

**Environmental capacity** The limit on the number of users that an area can accommodate before visitors perceive a decline in the desirability of the area.

**Escorted tour** An all-inclusive tour with a structured itinerary and a guide who accompanies the guests.

**Eurailpass** Allows unlimited travel for non-European tourists for varying periods of time throughout Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, and Switzerland.

**Events** Special occasions and scheduled activities.

**Exchange rate** The number of units of one currency necessary to be exchanged to obtain a unit of another currency; for example, 121 Japanese yen for U.S. \$1.00.

**Expatriate** A citizen of one nation who lives in a nation of which he or she is not a citizen.

**Expected quality** The level of quality that a consumer predicts he or she will receive from a good or service.

**Expected script** The set of steps and statements that a guest expects to occur during a service encounter.

**Export** A good or service produced in one country and purchased by a resident of another country; the opposite of "import."

**Extreme tourism** A subset of adventure tourism; encompasses activities that involve above-average elements of physical challenge and risk.

## F

**Facilitating goods** Tangible items that support or accompany a service being provided.

**Fairs** Temporary gathering places for the exhibition of products and services, often accompanied by entertainment and food and beverage services.

**Familiarization trips** (also called "fams" or "fam trips") Trips offered by governmental tourism agencies, hotels, resorts, and tour operators at low or no cost to acquaint travel salespeople (typically travel agents) with the products and services they offer.

**Federal Aviation Administration (FAA)** Agency within the DOT charged with ensuring air safety and promoting the growth of aviation.

**Fee simple** Right of ownership evidenced by the transfer of a certificate of title. The buyer has the right to sell, lease, or bequeath the property or interest (as in a timeshare).

**Festival** A time of celebration, with scheduled activities.

**Feudal system** A system of political organization, prevailing in Europe from the 9th to about the 15th century, in which ownership of all land was vested in kings or queens.

**Financial resources** The amount of money available for a given project through the use of debt and equity.

**Fleet utilization** Percentage of time transportation vehicles are used for revenue-producing purposes.

**Focus group** An in-depth interview about a topic among 8 to 12 people, with a researcher (called a "moderator") leading the discussion.

**Folio** A form used to record a guest's hotel.

**Foreign independent tour (FIT)** Customized foreign tour including many elements, designed and planned to fulfill the particular needs of a traveler; may be designed by a travel agent or by a wholesaler in consultation with the traveler's agent.

**Franchise** A license to operate a tourism service business such as a travel agency or hotel with the benefit of



trademarks, training, standardized supplies, operating manual, and procedures of the franchiser. A contractual agreement providing for the use of a recognized brand name, access to a central reservation system, training, documented operating procedures, quantity purchasing discounts, and technical assistance in return for royalties and fees.

## G

**Galley** The kitchen or food preparation area of a ship.

**Geographic segmentation** Dividing consumer markets along different geographical boundaries such as nations, states, and communities.

**Geotourism** Tourism that sustains or enhances the geographic character of the place being visited, including its environment, culture, aesthetics, heritage, and the well-being of its residents.

**Global distribution systems (GDSs)** Worldwide interorganization information systems that travel agencies use in selling tourism services.

**Gross gambling revenues (GGR)** The amount wagered minus the winnings returned to players.

**Gross registered tons (GRT)** A measure of the interior size of a ship determined by volume of public space.

**Ground transfers** Short-distance transportation between service providers, most frequently provided as part of a tour.

## H

**Hard ecotourist** Physically active travelers with a strong environmental commitment who seek specialized trips with an emphasis on personal experiences.

**Heritage attractions** Places, structures, and activities with historical and cultural significance.

**Heterogeneous** Having differing characteristics and needs.

**Homogeneous** Having similar characteristics and needs.

**Host community** A town or a city that welcome visitors and provide them with desired services.

**Hosted tour** A tour in which a host is available at each major tour destination to welcome guests, solve problems, and answer questions.

**Hotel personnel** All individuals responsible for the care and service of cruise ship passengers.

**Hub-and-spoke system** The primary airline route pattern in the United States. By designating primary hubs, airlines are able to funnel traffic into these centers to feed their trunk point-to-point routes between major market cities.

**Human (cultural) geography** The human activities that shape the face of a location and shared experiences, including the cultural aspects of language, religion, and political and social structures.

## I

**Import** A good or service purchased in one country but produced in another country; the opposite of "export."

**Incentive tour operators** Tour operators who specialize in organizing, promoting, and conducting incentive tours.

**Incentive travel** Motivational programs designed to create competition, with the winner(s) receiving travel awards.

**Inclusive price** A single price for a package of services such as accommodations, food, and activities.

**Independent properties** Facilities that are owned and operated as single units with no chain affiliation or common identification.

**Independent tour** A tour that allows the flexibility to travel independently while taking advantage of prearranged services and rates based on volume discounts.

**Induced information** Information and messaging that is controlled by the supplier.

**Inelastic demand** A change in the quantity of goods or services used that is not in direct proportion to changes in prices.

**Information technology** Computer systems that provide for the storage and retrieval of data.

**Infrastructure** The foundation utilities and other systems necessary for an economy, such as roads, electricity, and water and sewage systems.

**Intermediary** Firms that help tourism suppliers locate customers and make sales to them, including tour operators and travel agencies.

**Intermodal** A trip requiring the use of two or more forms of transportation.

**International Air Transport Association (IATA)** Association for airlines offering international air service that provides a means of resolving problems for mutual benefit.

**Involuntarily denied boarding** A situation that occurs when airline passengers with confirmed reservations are denied boarding on scheduled flights due to overbooking. Passengers may either voluntarily give up their reserved space or be involuntarily denied boarding in exchange for compensation.

**Itinerary** A detailed schedule of a trip.

## J

**Joint venture** Combined efforts of two or more partners, usually organizations.

## L

**Leakage** Purchasing power that is spent on imports to an area, resulting in a transfer of income out of the local economy.

**Learning curve** The rate at which people learn over time.

**Learning organization** An organization committed to identifying best practices and creating systems to achieve high-quality standards.

**LEED** An alliteration for Leadership in Energy and Environmental Design, a certification program sponsored by the nonprofit U.S. Green Building Council recognizing sustainable practice in building design, construction, and renovation.

**Leg** The segment of a flight between two consecutive stops.

**Legacy carrier** Established and comprehensive carriers offering varying classes of services with global networks that include alliance partners, which allow passengers to earn and redeem frequent-flier miles across these networks.

**Leisure activities** Activities performed during one's free time away from work.

**Leisure travel** Travel for personal interest and enjoyment.

**Lifestyle** A mode of living that is identified by how people spend their time (activities), what they consider important in their environment (interests), and what they think of themselves and the world around them (opinions).

**Limited stakes** Legislative limits placed on the dollar amount that can be wagered on any single bet (typically \$5).

**Line of credit** An agreement with a bank in which loans are automatically made up to an established limit.

**Load factor** The number of revenue passenger miles (RPMs) divided by the number of available seat miles (ASMs).

**Lodging** Facilities designed and operated for the purpose of providing travelers with a temporary place to stay.

## M

**Management** The distinct processes of planning, organizing, directing, and controlling people and other resources to achieve organizational objectives efficiently and effectively.

**Management contracts** Operating agreements with management companies to conduct day-to-day operations for a specific property or properties.

**Management information systems (MIS)** Computer-based systems designed to collect and store data and then provide information for planning, decision making, and problem solving.

**Market segmentation** Dividing a broad market into smaller and distinct groups of buyers—each group with similar needs, characteristics, or behaviors.

**Market share** The percent of the total market for a good or service that a single company has.

**Marketing communications** Any communication between a marketer and a consumer.

**Marketing concept** An overall organizational philosophy that is focused on understanding and meeting the needs of customers.

**Marketing mix** Those things that an organization can do to influence the demand for its goods or services. It consists of four variables, often called the four Ps of marketing: product, price, place, and promotion.

**Markup** Adding a percentage to the cost of a good or service to arrive at a selling price.

**Mass customization** The production of a good or service to fulfill the unique needs of an individual buyer.

**Mass tourism** Twentieth-century phenomenon whereby the working and middle classes began traveling in large numbers for leisure purposes.

**Mature travelers** People aged 55 and older; also called “senior citizens.”

**Medical tourism** Travel to other countries to receive medical treatments.

**Meeting planner** An individual who specializes in planning and coordinating all the details of meetings, conferences, or events.

**Megaresort** A destination resort containing multiple facilities and world-class attractions and entertainment

venues. Each revenue center at these destinations could operate as a separate business venture.

**Microsegmentation** The process of identifying and serving small subsegments of the market.

**Missionary sales** Sales calls made by individuals to retail travel agencies and other tourism industry intermediaries to answer questions and educate them about the company's services so that they may be sold more effectively.

**Model** A simple representation showing how important features of a system fit together.

**Multiplier concept** The additional economic activity that results when money is spent and re-spent in a region on the purchase of local goods and services.

**Museum** According to the International Council of Museums: a non-profit-making, permanent institution, in the service of society and its development, and open to the public, which acquires, conserves, researches, communicates, and exhibits, for the purposes of study, education, and enjoyment, material evidence of humans and their environment.

## N

**National monument** A landmark, structure, or other object of historic or scientific interest.

**National park** A large natural place having a wide variety of attributes.

**National preserve** An area in which Congress has permitted continued public hunting, trapping, and oil/gas exploration and extraction.

**National scenic trail** A linear parkland.

**Nature-based tourism** Travel to unspoiled places to experience the natural world.

**Night audit** An accounting function performed in hotels at the close of each business day to ensure the correct posting of all revenues.

**Nonprofit tourism association** An organization that exists to support the tourism industry of an area and often promotes the area as a destination.

**Nonstop flight** A flight between two cities with no intermediate stops.

## O

**Objective** A specific target for which measurable results can be obtained.

**Occupancy rate** Ratio comparing the total number of rooms occupied for a given time period to the total number of rooms available for rent.

**One-level distribution channels** The simplest form of distribution, in which the supplier deals directly with the consumer without the services of intermediaries.

**One-way flight** A flight plan that includes no return to city of origin.

**Open-jaw** A round-trip that allows the passenger to utilize different points of origin or return.

**Optimal arousal theory** Level of arousal or level of activity at which different segments of tourists feel most comfortable.

**Orientation** Also called “on-boarding” is a process designed to help new employees become acquainted

with the organization and understand the expectations the organization and their supervisor have for them.

**Overbooking** Accepting more reservations than there is capacity to serve those customers making the reservations (e.g., accepting reservations for more passengers than there are available seats on an aircraft or for more rooms than there are in a hotel). Confirming more reservations for rooms than can be provided during a specified time period.

**Overrides** Additional bonuses offered to travel agencies beyond their usual commission to encourage the agency to sell more tickets.

## **P**

**Pacific Rim** The land masses that have a Pacific Ocean coastline.

**Passenger facility charge** A charge added to airline tickets for enplanement. The monies collected are to be used for airport improvements.

**Pension** A small inn or boarding house similar to a B&B.

**Per diem** Maximum travel expense amount that will be reimbursed on a per day basis.

**Perceived quality** The level of quality a consumer perceives following the consumption of a good or service.

**Perpetual inventory** A system of tracking inventory on a continual basis so that current information on the level of stock is always available.

**Personal selling** A communications process that includes discovering customer needs, finding the appropriate services to meet these needs, and then persuading customers to purchase these services.

**Physical capacity** The number of users that can be accommodated in an area.

**Physical geography** The natural features of our planet, including such things as climate, land masses, bodies of water, and resources.

**Pilgrimage** Travel to a holy place or shrine.

**Plate presentation** The process of arranging menu offerings in a visually appealing fashion.

**Point-of-sale (POS) systems** Systems designed to record and track customer orders, process debit and credit cards, manage inventory, and connect to other systems in a network.

**Point-to-point** Direct travel between two destinations.

**Policy** A general statement that provides direction for individuals within an organization.

**Prime vendor agreements** Agreements directing a majority of purchases to one purveyor.

**Privatization** The action of converting a government-owned business to private ownership.

**Product-related segmentation** Dividing consumer markets according to characteristics such as the amount of use or benefits consumers expect to derive from the service.

**Professional travel** Travel by individuals to attend meetings and conventions.

**Profits** Revenues in excess of expenses representing the financial performance and the ultimate measure of the financial success of a business.

**Properties** Individual accommodations and lodging facilities.

**Property management system (PMS)** A unified system used to manage sales and marketing, reservations, front office operations, POS systems, telecommunications, back office operations, and revenue management.

**Psychocentrics** See Dependables.

**Psychographic segmentation** Dividing consumer markets into groups based on lifestyle and personality profiles.

**Psychographics** Consumer psychological characteristics that can be quantified, including lifestyle and personality information.

**Public/private organizations** Organizations made up of private and public members, usually to coordinate efforts between government and private businesses.

**Purchase order** A contract that specifies the item(s) wanted, including a brief description of quality and grade, the number desired, and the price.

**Purser** A ship official responsible for papers, accounts, and the comfort and welfare of passengers.

**Purveyors** Food-service supplier.

**Push** The act of pushing an aircraft away from the gate for departure. The term is used to indicate the length of time necessary to unload, fuel, service, and reload an aircraft between time of arrival and departure.

## **R**

**Rack rate** The standard quoted rate for one night's lodging.

**Real estate tourism** Travel time spent gaining in-depth knowledge and perspectives about the area from scheduled meetings with local experts while searching out potential investment opportunities.

**Receptive service operator (RSO) (ground operator)** A local company that specializes in handling the needs of groups traveling to its location.

**Recreational activities** Activities and experiences people pursue for personal enjoyment.

**Reduction** The result of boiling a liquid (usually stock, wine, or a sauce mixture) rapidly until the volume is reduced by evaporation, thereby thickening the consistency and intensifying the flavor.

**Referral organizations** Associations formed to conduct advertising and marketing programs and generate reservations and referrals for member properties.

**Regional geography** The components of geography that focus on regional landscapes, cultures, economies, and political and social systems.

**Rental pools** Groups of condominium units that are released by their owners for rental purposes and are managed by lodging companies.

**Repositioning cruise** The transfer of a ship from one cruising area to another to take advantage of the seasonality of demand.

**Research** The systematic investigation of a topic, often including the collection of information for a set goal.

**Resort destinations** Communities or areas that contain attractions, entertainment, and supporting facilities needed to draw and host tourists.

**Resorts** Destination locations that are distinguished by the combination of attractions and amenities for the express purpose of attracting and serving large numbers of visitors.

**Restitution** An amount of money or other item given to make up for some mistake or wrongdoing.

**Return on investment (ROI)** A measure of management's efficiency, showing the return on all of an organization's assets.

**Revenue management (yield management)** The process of allocating the right type of capacity to the right kind of customer at the right price so as to maximize revenue or yield.

**Revenue passenger miles (RPMs)** One seat on an airplane, railroad, or motorcoach traveling one mile with a revenue-producing passenger.

**Right-to-use** A type of lease in which legal title does not pass to the buyer. The buyer has the right to occupy and utilize the facilities for a particular time period.

**Rolling hubs** Connecting flights are spread over longer periods of time to reduce congestion and facility and equipment demands.

**Round-trip flight** A flight plan that includes return to city of origin via identical routing.

**Royalties** Payment (usually a percentage of sales) for the use of a franchiser's brand name and operating systems.

**Russian service** A style of service in which the entrée, vegetables, and starches are served by the waitstaff directly from a platter to a guest's plate.

## S

**Seat (table) turnover** The number of successive diners sitting in one seat or at one table during each dining period, breakfast, lunch, and dinner.

**Secondary seasons** Periods when tourism activities are either increasing toward peak levels or declining from peak levels; also called "shoulder seasons."

**Service encounter** A single episode during which a customer and service personnel interact; often also called a "moment of truth."

**Service expectations** The quality level of the five dimensions of service expected by a customer.

**Service guarantee** Providing assurances in writing that the level of service promised is provided and, if not, what specific responses will be made in correct to the service failure and make the customer whole.

**Service recovery** The process of reversing a service problem.

**Service script** Learned patterns of behavior that guide interactions during a service encounter.

**Services** The performance of actions or efforts on behalf of another.

**Servicescape** The physical (tangible) aspects of the service encounter.

**Sex tourism** Travel to a foreign country usually by males from developed countries to underdeveloped or developing countries for the purpose of engaging in sex, especially with children.

**Ship personnel** All individuals responsible for the safety and navigation of cruise ships.

**Shopping tourism** Shopping is the main purpose of the trip.

**Shoulder season** The period of time between high and low or closed seasons when demand for services decreases.

**Single supplement** The additional charge added to the price of a tour or cruise when a traveler does not share accommodations with another traveler; often, 25% to 100% of the double occupancy rate is added to arrive at a single occupancy rate.

**Single traveler** A person who lives alone and travels with or without a companion.

**Slow tourism** Trips with a slower pace during which travelers step back from everyday experiences, allowing time and opportunities for immersion.

**SMERF** An acronym for the market comprising social, military, educational, religious, and fraternal groups.

**Social carrying capacity** The number of outsiders to an area that can be accepted without having damaging psychological effects on the locals of the area.

**Social networking** Individuals tied together by a common interest or theme who share bookmarked Web links and conversations.

**Society** A community, nation, or broad grouping of people who have common traditions, institutions, activities, and interests.

**Soft ecotourist** Physically passive travelers with moderate environmental commitment who seek multipurpose trips with an emphasis on interpretation and physical comfort.

**Spa resorts** A resort property dedicated to fitness and the development of healthy lifestyles.

**Space ratio** A statistical measure of the GRT of a ship to the number of passenger it can carry.

**Special-interest tourism (SIT)** Tourism undertaken for a distinct and specific personal reason.

**Specification** A detailed written description of a procedure or ingredient.

**Spoke routes** Air service provided from smaller secondary markets to feed passengers into primary hub markets.

**Sport tourism** Travel to participate in, watch, or visit sporting events, venues, and attractions.

**Sports tourism visitors** People who travel to participate in or view sporting activities.

**Standard** A predetermined procedure or amount of an ingredient.

**Staterooms** Guest rooms on a ship. Also called cabins.

**Station** A designated work area or department in a kitchen.

**Stock** The strained liquid that is the result of cooking vegetables, meat, or fish and other seasonings and ingredients in water.

**Strategic grouping** Groups that share common interests.

**Subcontracting** The hiring of another organization to perform one or more operational functions or services.

**Subsegments** A group within a larger market segment; sometimes called a "microsegment."

**Superstructure** The facilities needed to serve the specific needs of tourists, such as hotels, restaurants, and attractions.



**Supervisors** Individuals who are responsible for day-to-day operations, other employees' job performance, and provide recommendations to managers on personnel issues.

**Sustainable tourism** Tourism activities and development that do not endanger the economic, social, cultural, or environmental assets of a destination.

## T

**Table d'hôte** French term referring to a menu offering a complete meal at a fixed price (prix fixe).

**Target market (target segment)** A group of people sharing common characteristics that an organization attempts to serve by designing strategies to meet the group's specific needs.

**Technology** The use of new knowledge and tools to improve productivity and systems.

**Teleconferencing** A meeting that allows people to remain in several locations but come together and communicate through a combination of television and telephone connections.

**Terminals** Facilities where passengers embark and disembark transportation services.

**Three-level distribution channels** Distribution channels in which two or more channel members, such as tour operators or wholesalers serve as intermediaries between the supplier and the consumer.

**Timeshare** Either ownership or the right to occupy and use a vacation home for a specific period of time.

**Tour** A product that includes at least two of the following elements: transportation, accommodations, meals, entertainment, attractions, and sightseeing activities. It can vary widely in the number of elements included and in the structure of the itinerary.

**Tour operator** A business entity engaged in the planning, preparing, marketing, making of reservations, and, at times, operating vacation tours.

**Tour package** Two or more travel services put together by a tour operator, such as air transportation, accommodations, meals, ground transportation, and attractions.

**Tourism** The temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created to cater to their needs.

**Tourism planning** A continual process of research- and development decisions to create and sustain tourism in a region.

**Tourism policy** A master plan formulated by a government (national, state/provincial, local) to aid in guiding the development of sustainable tourism industries within its jurisdiction.

**Tourism Satellite Accounts** Methodological framework that uses common classifications and definitions to measure economic impacts of tourism on a national basis.

**Travel agent** A sales specialist in tourism services.

**Travel clubs** Membership organizations designed to serve the needs of last-minute leisure travelers at bargain prices.

**Triple bottom line** Measuring tourism success in terms of maximizing positive impacts and minimizing negative impacts on the economy, environment, and local residents.

**Trunk routes** Point-to-point air service between primary hub markets.

**Two-level distribution channels** Distribution channels in which an additional channel member, such as a travel agent, serves as an intermediary between the supplier and the consumer.

## U

**U.S. Department of Transportation (DOT)** Organization within the U.S. government charged with establishing the nation's overall transportation policy, including highway planning, development, and construction; urban mass transit; railroads; aviation; and waterways.

**Upgrades** Receiving a better class of service or facility than was paid for, such as moving from coach to first class.

**Urban tourism** Tourism that takes place in large cities, where hotels and other facilities and services have become an integral part of urban activities.

## V

**Venturers** Travelers who seek adventure.

**Venue** The location of an event or attraction.

**VFR** Visits to friends and relatives.

**VIA Rail Canada** The marketing name for Canada's passenger train network, which is a combination of the passenger rail services of Canadian railroads.

**Virtual conferencing** Meetings among geographically dispersed individuals using video, sound, and data transmission technologies so that participants can see and interact with each other.

**Vocation tourism** Trips during which travelers take time to experience possible new careers before actually making career changes.

**Voluntourism** A trip that combines travel activities with charitable work.

## W

**Wildlife tourism** Travel to observe animals, birds, and fish in their native habitats without altering their behaviors.

**World Heritage Sites** Sites identified for preservation because of special cultural or heritage interest by the United Nations Educational, Scientific and Cultural Organization (UNESCO).

## Y

**Yield** The amount or quantity produced or returned after the preparation, processing, or cooking of a product or recipe.



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