The characteristics of tourism related industries and companies

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The service and experience dimension

The heterogeneity of the demand driven supply

Ways to analyse industries and companies

The dual market structure

The productivity problem
The heterogeneity of the demand driven supply

Definition and concepts

Full time equivalent  FTE
Heterogeneity of supply
Tourism expenditure
Characteristic industry
There is no such as thing as a tourism industry. Only the expenditure of the visitors who travel and stay at a given place, determine from an economic point of view the supply of goods and services for tourism.

Tourism supply is heterogeneous. There are many companies and industries producing for tourism, small and big ones, local and global ones.

Only few industries depend a lot on tourism and would have to close without the expenditures of tourism. These are the core industries of tourism such as the lodging and gastronomic industries.
Visitors spend money before, during and after travelling for services and durable and non consumer goods.

### Products

#### Services
- (transportation, accommodation)

#### Consumer goods for permanent use
- (skis, mobile homes)

#### Consumer goods non durables
- (food)

### Process

- **Before travelling**
- **During travelling**
- **After travelling**

Expenditure for tourism
Tourism supply is defined by the importance of tourism receipts for the products visitors consume.

Classification of goods and sectors by WTO

- **Specific products**
  - **Characteristic products**
    - Definition: Product which would not be produced without tourism demand
    - Example: Flights, hotels, travel packages

- **Connected products**
  - Definition:
    - Lower turnover without tourism
    - These products are important for tourism
  - Example: Taxi, fuel station

- **Non specific products**
  - Definition: Products purchased occasionally by visitors, non specific for tourism
  - Example: Toothpaste
The lodging and catering sector creates half of the tourism related employment in most of tourism countries specialised in tourism.

Tourism relevant full time equivalent of employment in % in Switzerland 2010

Source: TSA Switzerland 2008
Why is tourism not a homogenous industry such as the construction or the health industry?

Which are the most characteristic industries of tourism?

Which industries couldn’t survive without visitors?
Definitions and concepts

Cause of growth of the service sector
Stagnant and progressive services
“Servuction”
Experience economy
Dream factory
The change from basic needs to services in the consumer behavior and the industrial division of work make the service sector grow.

The ongoing rationalisation process and the always higher productivity allow the industrial sector to produce always more and to increase the output. Then increasing earnings are spent by consumers in the form of services which creates employment in the service sector which absorbs those who lost their industrial job.

The service sector is not homogenous. There are stagnant and progressive services which have totally different impacts on the productivity, the employment and the prices of an industry.
The causes of growth of the third sector

Baumol and Fuchs have analysed the causes of the growth of the service sector. They put forward the following three hypothesis:

- The real increase of revenues *induces a more than average growth of the services* and by this an increase of employment in the third sector.

- The industry *maintains its part of the real output but produces more and more with fewer employees* what increases service production.

- The below average productivity of the third sector makes it more expensive, *when the demand is not elastic to prices, the number of employees of the third sector is increasing*, when it is elastic to prices, this number decreases.
Tourism benefits from the two major reasons of the expansion of the service sector:

- change of the structure of needs of the households, a higher part of final consumption is spent on services
- intensification of the division of work between sectors, particularly the trend to a knowledge based service economy
Tourism services are high tech backstage and high touch front stage and depend on heavy investments.

Tourism is a service sector which is based on heavy investments into infrastructures, construction and equipment. A flight needs a plane and lodging a hotel.

Services in the core business of tourism are labour intensive and personalised. These services are expensive in advanced economies. Self-service has therefore become important when tourism was popularised after the second world war.

Single tourism services or bundles of tourism services are perceived by the customer in a emotional way. If the service is given in a warm atmosphere, it becomes a lasting experience. Tourism services are therefore part of the “experience economy.”
Services need investments in production factors: Physical and human elements are enablers when visitors and providers of services meet.

**Diagram:**
- **Physical support**
  - Concierge, flight attendant
- **Customer**
- **Personal**
- **Service**
  - Accommodation, transportation

Examples: accommodation, air transport

The service sector is divided in «progressive services» and «stagnant services», the typology corresponds to the different possibility to participate to technical progress: services with high increases of productivity use the IT revolution, for instance banks, TO or airline companies; services with low increases in productivity cannot rationalise, these are personalised services which suffers from «cost disease» which makes them more expensive.

Price increases of «stagnant» personalised services can be an incentive for consumers to replace them by equipments which doesn’t need to use services, the theory of the three sectors is therefore not appropriate in this case. «Service economy» or «Self service economy», this is the question!
The higher price elasticity the more visitors look for self-service

These hypothesis can have the following consequences for tourism:

- The higher the income of the consumer, the more the output of personalised tourism services increases.
- If the demand is not elastic to price changes, the price increases of the stagnant services are accepted by the customer, this is the case of guests with high purchasing power.
- If the demand is elastic, the preference for « self service » increases which is the case of customers with lower incomes.
Tourism can be a service or self-service industry

- Outsourcing of services
- New needs of the customers
- Service economy
  - HoReCa
- Self service economy
  - Parahotel sector and gastronomy
- Personalised services
- Do it yourself
The experience economy is the new fourth sector of the economy. It is based on social stratification by individual lifestyles dependant on the experience as a way of self-fulfilment and meaningfulness.

Tourism is part of the experience economy since the supplier of tourism related goods and services produce dreams in the form of services which become experiences by the design of goods and the atmosphere the services are provided.

Tourism is therefore some sort of dream factory. Since its beginning, tourism produced dreams. The electrically illuminated winter sport palace hotel in the Alps, later on the Disneyland's and today many beach resorts produce dreams.
A resort is put on stage by design and warm atmosphere
The four sector theory: Stage of development

18th century

1st sector
Prevailing primary production

19th century

2nd sector
Industrial revolution

20th century

3rd sector
Service economy

21st century

4th sector
Experience economy

Tourism
Tourism is a service sector which is part of the «experience economy».

- **Experience economy**
- „4th sector“
- High touch
- **Information technology**
  - „New economy“
- **High tech**

Diagram showing growth trends from 1980 to 2020.
Services become an experience when visitors can be emotionally involved

Make goods

Use Resources

Deliver Services

Stage experiences

Market

Pricing

Premium
The more attractive the atmosphere in which a good is served, the higher it is appreciated by the customers.
High touch can transform services in experiences

Attractions

The process of imagination
imagine → draw → conceptualise

Experience of the visitor
recognition → welcome → stage management

The production process
planning → construction → production

Resources

Stereotypes

SOUVENIRS
Tourism as a dream factory: business processes for bundling services to a product

High touch
- Design
- Imagineering
- Promotion
- Staggering

High tech
- Organising
- Theming
- Development
- Research

Front stage

Back stage

Demand based view

Resource based view
Questions to be asked

- Why is the service sector growing in developed countries?
- What do we understand by “progressive” and “stagnating” services?
- What is “servuction”?
- Why do we have a self-service production in the field of tourism?
- Do all tourism related tourism industries focus on self-service?
- What is the rational of what we call the “experience society” or “experience economy”?
- Why can tourism be considered as a dream factory?
The dual market structure of tourism

Definition and concepts

Dual structure of tourism related industries
Positive and negative externalities
Economies of scale and scope
Internal and external growth
Nature of growth
Merger & Acquisition
Tourism related industries have a dual structure

Tourism supply has a **dual structure** and consists of two systems which are different by their functions and their industries.

The **international travel and tourism industry** is constituted by big companies which offer standardized products to the mass market.

The **micro and small size companies which operate under the umbrella of the destination** supply personalised and often specialised services to their visitors.
The outgoing and the incoming industries are different by their size, their products and the way they grow in a competitive environment.

<table>
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<tr>
<th>Characteristics</th>
<th>Travel and Tourism Industry (outgoing)</th>
<th>Destination oriented SME’s (Incoming)</th>
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</thead>
<tbody>
<tr>
<td>Tourist functions</td>
<td>Organisation Information Transport</td>
<td>Welcome Hospitality Leisure</td>
</tr>
<tr>
<td>Tourism related industries</td>
<td>Travel agency Airline industry Other</td>
<td>Accommodation Restoration Cable cars Other</td>
</tr>
<tr>
<td>Corporate Organisation</td>
<td>Standardisation by big companies</td>
<td>Personalisation by small companies</td>
</tr>
</tbody>
</table>
The international travel and tourism industry is driven by bigger firms.

TUI, the worldwide biggest tour operator, turnover of about 20 billion Euro.

Vertical integration of the value added chain in a holding:

- Sale
- Organisation
- Flight
- Hotel
- Destination

- 3'715 Travel agencies
- 81 brands
- 89 planes
- 287 hotels
- 32 «incoming» travel agencies
Micro-structured accommodation sector operating under the umbrella of the destination in developed countries

Source: Prof. Peter Keller, HEC / UNIL
The size of the company
The size of companies matter

The bigger companies of the international travel and tourism companies can achieve economies of scale and scope on the supply and the demand side level by producing and distributing standardized products with the most advanced methods and technologies. They can produce cheaper and offer more to the customers in form of equipments and facilities.

The smaller companies cannot produce in a cheap way. They can personalize the services and create a cosy atmos. They have advantages of proximity knowing the place they operate. They are more flexible when it comes to adapt to new needs of customers. They are easier to manage.
Size is an advantage since it leads to economies of scale on the supply side.

Positive externalities:
- bigger production unit
- higher specialisation
- economies of scale

Source: ITD, University of Saint-Gall
Size is an advantage since it allows economies of scope on the demand side.

**Positive externalities**
- more important market power
- « Consumer surplus »
- « Communities »
- « Standards, Images »
- « Economies of Scope »

Source: ITD, University of Saint-Gall
Bigger companies can produce cheaper and attract more visitors.

Marginal costs and marginal benefits are positively related to the size of the network. This leads to positive externalities, which result in continued decreases of marginal costs and continued increases of marginal benefits, even as the size of the network grows. This can create natural monopolies.

Source: ITD, University of Saint-Gall
It is difficult to manage bigger firms which can explode through downsizing and spin offs.

Big firms

„Spin offs“

New possibilities for SME’s for market penetration

- Competition
  - Flexibility
  - Specialisation
  - Quality

- Innovation
  - New products
  - Cost reduction

- Outsourcing of management

- Cooperation
SME’s are dynamic:

- Come back of the individual initiative and the entrepreneurship
- Crisis of taylorism ("Modern Times" of Charley Chaplin)
- Management flexibility with fast reaction to market developments
- Trend to outsource
- Trend towards the third sector
- Downsizing and atomisation
- Support from governments

Source: Prof. Peter Keller, HEC / UNIL
Sidestepping economies of scale means that companies want to avoid the disadvantages of big size.

**Reasons for sidestepping (escaping from) size:**

- Markets are highly volatile and difficult to forecast.
  - Product life cycle are shortening.
- Information technology has substantially reduced the size of the lowest business unit.
  - It is easier to open, to close and to rebuild factories on other places.

  Smaller business units
Questions to be asked

- What are the advantages of big firms?
- What are the strengths of SME’s?
- What do we understand by “downsizing”?
- Why are economies of scale no more wishful in all situations?
The ways to grow
SME’s grow in a different way than bigger companies

Internal growth: the way tourism SME’s grow

Tourism enterprises can grow by adding capacity and increasing returns. The need of the visitor for an individual and unique experience is limiting the size of one single tourism facility or operation unit such as lodging or catering. Individual enterprises can overcome the disadvantages of small size by cooperation.

External growth: the way the international tourism industry grows

Tourism enterprises can grow by merger and acquisition. They grow by integration.
Companies can grow in an organic way by diversification and specialisation.

**Organic growth:** The company’s growth is based upon the existing resources. There is growth only one person or one product can generate. People retire and products mature. Organic growth requires therefore new products or product extension, entering new markets or establishing a wider distribution network or licensing and franchising.

**Diversification:** The company moves to other area of activities. A network carrier is launching a low cost service.

**Specialisation:** This is the contrary of diversification and involves dropping non-core activities. Doing things you know better than others. This is the case for life-style entrepreneurs in the field of hotel SME’s.
Companies can grow by M&A and cooperation

Merger & acquisition
This is the fastest way to grow but also the most riskiest one. It can lead to important economies of scale and scope or to a broader base of customers and products but also often to more bureaucracy, lethargy or conflicts because of different entrepreneurial culture.

Strategic alliances, joint venture and cooperation
Companies can overcome the disadvantages of small size without giving up their independency by filling gaps in knowledge, resources or marketing opportunities.
Lufthansa took over Swiss after failure of the merger strategy of former S Air Group

Integration by acquisition

Strategic alliances

local consolidation

local brands

global consolidation

new global brands

Source: Prof. Peter Keller, HEC / UNIL
Small independent hotels can join a voluntary hotel chain or give up and join voluntary chains or take over other hotels.

- Integrated chain
  - Accor
  - Jungfrau Victoria Collection
- Consortia
- Voluntary chains
  - Best Western

degree of integration

Source: Prof. Peter Keller, HEC / UNIL
Cable car cooperate on the regional level, merger at local level, integrate in holdings or are part of resorts

Degree of integration

Consolidates
Vail, Beckenridge etc

Horizontal integration
Compagnie des Alpes

Local mergers
Zermatt

Cooperation of SME’s
Dolomiti Superski

time
Questions to be asked

- What do we understand by internal and external growth?
- Is it better to grow first internally?
- Which are the perquisites for external growth?
- Why do SME’s which operate under the umbrella of the destination not invest in external growth?
The nature of competition
Tourism is largely liberalised on the demand side. If there would be a perfect competition among all suppliers of tourism related products, competition would be high and heavy structural change would occur in comparison with today’s situation of the tourism on the world market.

In fact, there is no perfect competition in tourism. The international travel and tourism industry is despite the worldwide growth consolidating its structures which reached maturity. The consolidation process favours a trend towards oligopolistic situation in these industries.

The SME’s operating under the umbrella of unique destinations have particularly at the beginning of their life-cycle a quasi-monopolistic position on the market. The reason is their uniqueness
There is a trend towards oligopolistic structures in the travel and tourism industry

**Airlines:** Strategic alliances dominated by leader carriers (Lufthansa/Star Alliance, AirFrance-KLM/Sky)

**Rent a Car:** Few majors in the USA and Europe (Hertz, Avis, EuropCar)

**Cruise ships:** Few majors and a clear leader (Carnival Group, Royal Caribbean Line, Star Cruises, P&O)

**Hotel Chains:** Big multi-brand holdings dominate (Continental, Wyndham Hotel Group, Mariott, Hilton)

Source: Prof. Peter Keller, HEC / UNIL
The oligopolistic competition among big strategic alliances makes launching a new airline difficult.

**Confrontation strategy**
- High entry costs, difficult access to slots

**Cooperation strategy**
- Loss of freedom, little power compared to large partners

**Voluntary limitation or clear differentiation**
- Development of new markets and customer segments
There is first a competition between destinations in the field of tourism.

Destination as first choice:
Lugano (Italian Switzerland)

Visitor related supply as second choice:
the destination’s hotels
The uniqueness of destinations makes competition quasi monopolistic and make it difficult to enter the market.

**Uniqueness of destinations**

**Quasi-monopolistic competition**

**Differentiation strategy for destinations**
The uniqueness of destinations makes competition quasi monopolistic and make it difficult to enter the market.

- Uniqueness of destinations
- Quasi-monopolistic competition
- Differentiation strategy for destinations
Why is there a trend to oligopolies in the international travel travel and tourism industry?

What do we understand by “renunciation strategy” when we speak of the market entry of new companies in the field of the international travel and tourism industry?

Why do we say that destinations have an oligopolistic position?
The productivity problem

Definitions and models

Productivity-led growth
New understanding of productivity
Creating customer value
Externalisation of services
Labour productivity
Productivity is the efficient use of resources for producing services (inputs) and the effective obtaining of good prices of these services on open markets (output). Labour productivity which measures by value added/full time job equivalent is the benchmark for tourism productivity.

**Competitiveness at the level of the company means to be able to sell and to earn money.** A strong cluster and a tourism friendly business environment can make it more competitive. Competitiveness depend largely on productivity
Tourism has productivity problems

The international travel and tourism industry is highly rationalised and produces efficiently but the margins and the profitability are often low, either because of low value added (tour operating) or high fix costs (airline industry).

The SME’s operating under the umbrella of the destination produce often in a artisanal way and cannot rationalise. They can only be performing if they add positive externalities of the destination through value based pricing.

The tourism industry is only performing if it is competitive on the tourism market (demand) and on the factor markets (supply). This is the case when the companies of such an industry are able sell their products and earn to be profitable.
The need to fill the productivity gap

- The productivity problem has become stronger under conditions of worldwide competition. Tourism companies and industries of developed countries are under the competitive pressure of the emerging and developing countries which have abundant and still not yet developed tourism resources. **These countries can produce cheaper and are therefore more competitive on the international markets.** In developed countries, tourism related industries which are labor intensive have to fight on the factor markets with more productive economic sectors.

- The **high part of stagnant services make them suffer from “cost disease”**. They have to compensate the lack of productivity by an increase of the prices for their services. The higher costs of the tourism related industries in the developed countries obliges tourism economies to better use its resources and to apply value based pricing for a productivity-led growth.
The productivity-led growth matters the more a country gets developed.

Emerging countries

Input-led growth

Increase of inputs in capital and human resources

Developed countries

Productivity-led growth

Increase in the efficiency of these inputs and there outputs

Catching-up process

Productivity is a major source of growth once a country has developed its tourism resources.
The core business of tourism (accommodation and catering) is human resource intensive and has a labour productivity problem.

Contribution of the hotel and restaurant industries in Switzerland to labour productivity growth 1991-2006

Growth rate of the economy as a whole: 1.3 % per year

Growth rate of the hotel and restaurant industries: -0.1 % per year

The small and labour intensive traditional hotel and catering industries have in developed countries a productivity problem (this is not the case in emerging and developing countries).
There is a need for a new understanding of productivity in the field of tourism

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Outputs</th>
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<tbody>
<tr>
<td>Efficiency with which inputs of capital, human and landscape or manmade resources are used for developing services (physical aspect)</td>
<td>Prices these services can command in an open economy by their uniqueness and their quality (monetary aspect)</td>
</tr>
</tbody>
</table>

Productivity has to do with efficient inputs and effective outputs
The company is the productive unit but it depends also on a favourable business environment and good framework conditions.

### The enterprise as a productive unit

First of all, productivity depends on the firm. Only firms can create wealth.

### The environment in which business occur

But productivity depends also on the business environment. Productive enterprises need attractive public goods, functioning infrastructures, highly skilled labour, low taxes etc.

### The framework condition of a given place

Overall policies and particularly macro-economic policy but also tourism related policies influence also productivity in the field of tourism.

Tourism friendly business environment and a healthy economy help companies to be more productive.
Ways to make tourism related companies more productive

Overcoming the cost disease of stagnant services

Creation of customer value
Comfort, Quality, Convenience

Externalisation of services
Full or self service

Higher customer value and/or externalisation of services can compensate the productivity gap
The state has an important role to play for improving tourism productivity

**State as a co-producer:**
- Makes available attractive public goods
- Invests in tourism related infrastructure
- Enhances tourism clusters

**State as a promoter:**
- Creates a competitive business environment
- Maximises positive externalities of tourism
- Supports innovation creation mechanism

State incentives are important for increasing tourism productivity
Labour productivity is the best measure for benchmarking tourism performance with other sectors and the economy as a whole.

Labour productivity in tourism

= Gross value added / Full time job equivalent

Instrument of measuring Tourism Satellite Account TSA

Labour productivity reflects both, ability to earn and ability to sell which are essential criteria for competitiveness.
## Building a set of sector indicators measuring the tourism sector productivity

<table>
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<tr>
<td>Adding customer value</td>
<td>Increasing quality</td>
</tr>
<tr>
<td>Externalising services, increasing size and using ITC</td>
<td>Economies of scale &amp; Scope</td>
</tr>
<tr>
<td>Mark up for destination goods</td>
<td>Value based pricing</td>
</tr>
</tbody>
</table>
There are many variables which influence labour productivity.

- Investment: 30%
- Human Resources: 20%
- Knowledge: 10%
- R & D: 10%
- Commitment, social competence: 10%
- Structures: 20%

It is not the current performance but the innovation-creation-mechanism which determine future growth.
Productivity and competitiveness are two sides of the same medal.

- **Competitiveness**
  - Ability to sell and to earn
  - Efficient use of inputs and high value added outputs

- **Productivity**
Competitiveness is a large concept which includes the level of the enterprise, the industry and the destination.

Level of the enterprise
- ability to sell
- ability to earn

Level of the industry
- adaptation to the framework conditions
- ability to compete on international markets

Level of the destination
- cluster advantages
- micro-economic business environment
Porter’s diamond explains competitiveness of firms which operate under the umbrella of a destination (cluster advantages)

- Experience to survive in a competitive environment
- Increasing number of critical visitors with a lot of experience
- High level of quality of providers
- Long specialisation process
Questions to be asked

- Why do we need a new understanding of productivity in the field of tourism?
- Why is there a productivity gap in the hotel and catering industries?
- Which strategies could be successful to overcome poor productivity?
- How can we measure productivity in the field of tourism?
- When is a company competitive?
- What do we understand by “Porter’s Diamond”?
Ways to analyse industries and companies

Definitions and models

- Business strategy
- Unique competitive advantage
- Strategy follows structure
- Business model
- Business plan
- The instrument to analyse industries
A business strategy:
is thinking about how to plan, to choose and to decide for obtaining increases in profitability. The questions are how to target customers, what product to offer and how to undertake related activities efficiently.

The objective of business strategy is not a vision, a goal or a plan. It is all about creating a unique strategic position for the business, considering the available resources, understanding the importance of values and incentives, listening to strategic ideas where ever they originate, gaining the peoples emotion and commitment and being flexible for new ideas.

Knowing the business environment matters for tourism in the developed countries where the sector reached maturity

The competitive positioner (Michael Porter 1990)

It is important in a mature sector to understand the external environment of the company and to focus on the achieving of a competitive advantage. Market power produces high profitability where competition is the defining characteristics.

The main role of the positioner is to understand and decide where a company is competing and then align it so that it is able to gain advantages on its competitors (erect barriers to entry to its markets, attract price premium for its products, reduce operating costs below those of the competitors).

To restrict on core competencies is important. What is core need to be competitive: those capacities and source of value that are scarce and not easy to imitate (Hamel,G., Prahalad, C.K. Competing for the future, Harvard Press 1994).
Strategy follows structure is a principle that counts for SME’s operating under the umbrella of the destination

Porter’s approach is the one that makes SME’s operating under the umbrella of the destination competitive. This approach takes into account the **positive externalities of the destination which are internalised into the products**. These externalities are the natural, cultural and economic advantages of the place. In such cases, strategies follow the structure with its cluster advantages.
The business model is the description of a company's activities on one page

Definition:
Is a reduction of the complex business activities to a simple model which answers the following questions: which is the benefits of the business activities for customers and partners (a business is not a product)? Which are the structure and the processes to create value added for customers? How can the company earn money?

Objective:
The business model gives an answer to the question “What is your business?”. It is not a strategy. It simply communicates to the technical and the business staff for what they work. It focuses on value creation and economic value of the business.
Business models is a tool for a better understanding of the company by its staff.

Given the complexities of products, markets, and the environment in which the firm operates, **very few individuals, if any, fully understand the organization's tasks in their entirety.** The technical experts know their domain and the business experts know theirs. The business model gives simplified information about the structure of a company.

Source: QuickMBA Entrepreneurship copy right 1999-2010
The business model should always show the consumer surplus and the competitive advantage of a product and the way the company is organised to produce it.

**Combination market-performance**
- New products & markets

**Mechanism of profitability**
- Internalisation & outsourcing

**Configuration of activities**
- Integration and diversification

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Tourism related goods and services are produced by many industries and companies which are obliged to work together for satisfying the need of the customers for holistic travel experiences. The visitor is the common denominator of tourism related industries and companies.

It is important to understand the structure, the strategy and the performance of these industries to explain the functioning of tourism supply. These characteristics influence the business strategy and the scope of business models of single companies of such industries.

The aim of strategies is to win an unique position or a competitive advantage on the market. Business models reduce the complexity of the firm’s reality for all of its stakeholders.
The systematic analysis of tourism related industries reduces complexity and makes these industries comparable.

The following elements facilitate the analysis of industrial organisation of tourism related industries (Scherer/Ross 1996):

1. **Basic conditions**
   An analysis of the main characteristics of supply and demand of a given industry.

2. **Market**
   A description of the structure and the functioning of the market such as competition, access or exit.

3. **Strategies**
   4. The scope of strategies which are possible for a given industry.

4. **Policy**
   The macro- and micro economic business environment.

5. **Performance**
   The performance of the industry compared to other industries and the economy as a whole.
Tourism related industries have some common characteristics:

- Rules
- Promotion
- Politics
- Ability to sell/earn
- Business environment
- Price and quality competition
- Internal and external growth
- Internationalisation
- Two different tourism systems
- The problem of size
- Maturity and consolidation
- Imperfect competition
- Demand driven sector
- Strong fluctuation of the demand
- Need for holistic visitor’s experience
- Importance of destination for travel choice
- Heterogeneous supply structure
- Fragmented sector
- Bundling services to products
- Producing dreams
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Performance

- Rules
- Promotion

Politics

- Internal and external growth
- Internationalisation
- Price and quality competition

Market structure
Tour Operator:
Packages for mass market, focus on lucrative niches, focus on high end business

Airline industry:
National or flagship carriers, network carriers, feeder or regional carrier, low cost carriers, business or carriers

Rent a Car industry:
Different geographic market, different brand positioning, different fleets, different processes

Business hotel chains:
Standardised five star hotel, Accor has taken over the European hotel classification, revenue per room
The accommodation sector operating under the umbrella of destinations developed a multitude of business models.

**Accommodation**

Traditional full service hotels
Budget hotel
Boutique hotels

**Hybrid forms of accommodation**

Rented serviced apartments
Rented residences
Secondary homes and residences
Camping and mobile homes
The catering industry which is only partly relevant for tourism is innovative and has a large scope of changing business models

**Catering**

Traditional restaurants  
Gourmet restaurants  
Vegetarian food  
Ethnic food  
Café and bistro’s

**New forms of catering**

Restaurant chains  
Fast food vs. slow food  
Take away  
etc.
Questions to be asked

- What is a business strategy?
- What is the objective of a business model?
- What is a business plan?
- What is the rational for the tourism related companies to focus on a competitive strategy?
- Why do we say that strategy follows structure in the field of SME’s?
- How can we analyse industries and companies?