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УНИВЕРСИТЕТ ЗА НАЦИОНАЛНО И СВЕТОВНО СТОПАНСТВО, СОФИЯ

ДВИЖЕЩИ СИЛИ НА ГОЛБАЛИЗАЦИЯТА В ТУРИЗМА

TOURISM GLOBALISATION DRIVING FORCES

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Abstract. The changes of the global economic conditions are one of the major challenges that tourism faces. The growing importance of international competition transforms the tourism industry into a global one and boosts the process of formation of multinational organizations for tourism services. The quick changes in the tourist industry showed up in recent years. The great challenge, coming from the processes of globalization of tourism, is to provide those tourist products and services that the modern customer wants. This is needed because now it is the time of the fiercest competition in the history of tourism. One of the most important effects of the globalization is the increase of competition through the market expansion. In this changing environment companies cannot compete efficiently using static structures. The markets need organizational structures, which shall introduce flexibility in management, to function in constant evolution. Nowadays, tourist organizations shall understand their activities as a part of one global market in connection with the opportunities this market offers as well as in connection with the growing competition. This suggests the presence of foreign multinational companies on their local market. Therefore, the active or passive strategy for internationalization becomes one of the most important decisions for the tourist companies.

Key words: international competition, globalization of tourism, organizational structures, flexibility, global market, strategy for internationalization.

INTRODUCTION:

The changes of the global economic conditions are one of the major challenges that tourism faces. The growing importance of international competition transforms the tourism industry into a global one and boosts the process of formation of multinational organizations for tourism services. Hotel chains of international level transform the industry of hospitality from a combination of multiple local markets (concerning finding resources) into more integrated activities oriented towards improvement of the effectiveness of the group they are part of. Aiming this, the strategic actions in search of investments and profitability become one of the most important characteristics of the development stages of the industry.

THE IMPACT OF GLOBALIZATION:

According to Smeral, the globalization process in tourism influences supply and demand in a number of ways (S m e r a l, 1998).

a) Influence over tourist services supply by globalization

1) The influence of **information and reservation computer systems** naturally suggests that the tourism products suppliers will act on a global market. Airlines, hotel chains and tour operators open branches all over the world because using global distribution systems they are able to cover greater part of international travel demand. Strategic alliances and co-operations are forced to lower the expenses needed for technological systems implementation. They act as additional forces in the globalization process. Hence, information and technology implementation broadens the tourism industry, providing it with worldwide coverage.

2) What is more, lowering the costs of air transport broadens the possibilities for **reaching different destinations at low price** by tourists with low income. Krugman and Venables give us an interesting view about the influence of

transportation fees over the global economy. Their international commerce model suggests that the drop of transportation and communication costs in the long-run as a result of increasing market integration may lead to global division between the regions of poor and rich people, followed by a merger of incomes and economic structures between these regions later on (Krugman, P., A. Venables, 1995).

Applying this theory in tourism, we can say that the diminishing transportation costs help Europe become the most successful destination for Europeans. If transportation and communication costs continue to drop, there will be a situation of merger of real income, in which peripheral tourist destinations win market quota and traditional ones from the past – lose.

3) ***Emergence and development of new tourist destinations***, a large number of which in the developing countries, is accompanied by major investments by multinational enterprises oriented towards creating the infrastructure needed. The price factor becomes crucial for the competitive power of the destinations. Maintaining low, unified expenses for labor force become a matter of extreme importance. The *challenge* in these new destinations is to offer *professional service to the tourist customer*.

b) Consequences from the globalization effect over demand in tourism

1) The increase of the population's income, the population ageing, the saturation of the traditional destinations and the changes in lifestyle are important factors for explanation of the global nature of tourism demand. In additions, the communication and information systems

progress provokes the ***tourists*** in the 21st century ***to be better informed and to demand more***.

2) What is more, the high elasticity between demand and incomes in tourism forecasts impressive ***increase of tourist demand*** in global terms.

In recent years, automation has changed hotel business. Nowadays, *reservation systems* track information about guests and provide:

- Precision in room management;
- Accurate and direct access to data about the sale;
- Connection with more electronic sources of reservations, more tourist agents and other distribution channels

The new alliances lower the price of reservation and information transactions, and allow use of information to competitors and individuals. They direct themselves towards professional research of the preferences of new tourists.

The quick changes in the tourist industry showed up in recent years. The great challenge, coming from the processes of ***globalization of tourism***, is to provide those tourist products and services that the modern customer wants. This is needed because now it is the time of the fiercest competition in the history of tourism.

FACTORS FOR THE POTENTIAL OF GLOBALIZATION:

Taking the Porter's competitive analysis as a framework (1986, 1990) and following Go and Pine (2008), the potential for globalization of a given industry, that is the probability one strategy on a global level to be effective, depends on the combination of *four factors: market, costs, state regulation, competition* (see figure 1.) (P o r t e r, 1986, 1990; G o and P i n e, 2008).



Figure 1: Tourism globalization driving forces

Source: Adapted by the author using Go and Pine, *Globalization Strategy in Hotel Industry*, London: Routledge, 1995.

Market: Tourist firms shall pay great attention to the changes taking place on the market. It shall happen in a way that allows them to satisfy the customers, who search for good *price-quality* ratio nowadays, and who show different consumer habits (from 15-days holiday to multiple mini-holidays).

Tourist enterprises in a given destination are favored, if demand within the country concentrates in modification of services that are demanded in other countries. It was a main driving force for the industry globalization in hotel enterprises. The *internal demand* by a large part of hotel companies helped the enterprise to learn how to meet universal market demand before setting up abroad. In addition, the distribution channels in tourism pass through evolution following the technological progress and the *combined usage* of various channels

becomes the most widespread user access form.

Expenses: To be competitive, tourist companies turn their eyes towards destinations that are on the way up. These companies, which have chosen *global distribution* and *low cost* strategy, are highly standardized in satisfying the requirements of customers from different countries. This aspect is extremely important for the hotel industry, having in mind the domineering role of big chains. The company determines the hotel category, location, market type, marketing orientation and firm profitability. Expenses for capital are determined by expenses for production – expenses for labor and land, as well as by conditions for buying immovable property. The company shall focus to improve the available technologies.

Government: All governments play a *double role* in services connected with

travelling and leisure time. *On the one hand*, the government influence depends on the regulation extent. In this connection the most important *decisions*, which influence international companies for tourist services, are:

- Control over entering, settling and ownership;
- Nationality requirements;
- Economic regulators that exert effect over the competitive power of branches with foreign participation;
- Stimuli and results requirements

On the other hand, the global concept for tourist product which is understood as *a combination of the destination's attributes attracting tourist demand* – road and air traffic infrastructure, citizens' security, urbanization, natural resources, gives the public sector leading role in determining the probability which investment strategy is successful.

Competitive power: In general, hotel business investors have settled in Europe and North America, where 80% of the hotel rooms are located in global scale. Nowadays, despite the great presence of Anglo-Saxon owners, there is increasing participation of *unusual investors* – Frenchmen, Japanese, Canadians and Spaniards. The opportunities for finding appropriate place have broadened towards Asia and North and South America. In parallel with market changes, tourist companies develop *new strategies* to keep their quotas using *technological innovations* in the information processes and *qualified staff*. The successful market positioning of the product depends more and more on the *human resources that manage the company*.

In this sense, the market forces and government regulation offer *stimuli for globalization of the tourism industry*. The emergence of **multinational enterprises** considerably contributes for the growing globalization of tourism. In this new globalized environment, it is important that the consumption of the tourist product takes place on the same location where

the product is created and is spread in global scale.

One of the most important **effects of the globalization** is the increase of competition through the market expansion. The traditional customers have more and more opportunities to enjoy their vacations, mostly through *standardized mass consumption* and minimal scale of difference. Competition is even more intense because of *price transparency* that markets offer and provide comparison of the different destinations attribute. As a result of the processes of regionalization and money unification (European Union) and the full information access, which customers receive, there is global supply updated in real time. In addition, the strong influence that globalization exerts on *small and mid-size tourist companies* is important, and especially if these companies act in destinations with comparatively low level of integration, specialization and monopoly.

In this changing environment companies cannot compete efficiently using static structures. The markets need organizational structures, which shall introduce **flexibility in management**, to function in constant evolution. In order to gain benefit, the international tourist companies shall simultaneously develop three different strategic abilities, which are very often in conflict between each other:

- Multinational flexibility to satisfy the variety in local demand;
- Global competitive power to be efficient;
- Innovations in global scale (G o, 2009).

There are *three main sectors* in tourism, where the combination of direct and indirect investments is accomplished on international level. These sectors act on nation-wide level:

- Hotel sector;
- Intermediary industry;
- Air transport

Following the research of UNCTAD, done by Dunning and McQueen, the main

characteristics, which determine them, are:

a) **The hotel sector** does not act only by direct investments, but also by **joint-stock participation**, combined with extensive use of **franchising**. *On the one hand*, this is a result of the fact that the set up phase needs great amount of investments concentrated in land, buildings and equipment, *and on the other hand*, in cases of hotel companies, there is no need that the mother-enterprises centralize and internationalize the investment.

b) The wholesale dealers in tourism are the international **tour operators**. These wholesale dealers, who are situated in the countries generating tourists, know their needs and work with different countries and market segments, where they are connected by ownership of air transport companies and hotels. **The Vertical integration** in tour operators is a tendency, which accelerates every single day. It allows strict control over the quality of the tour product elements, diversifies markets and destinations, decreases seasonality and increases the opportunity for management of the internal prices aiming lowering of taxation.

c) And last, **air traffic companies** are undisputable power of international level, which benefits from the rapid increase of disposable incomes in the developed countries, the increase of the holidays' length and the decrease of real expenses in case of international trips, mostly in case of chartered trips. In this sense, a whole network of **vertical and horizontal unions of air traffic companies** has developed. Horizontal mainly includes technical support and contracts for unions for common purchasing of equipment or maintenance of equipment for long distance. This diminishes the high costs of operating in international environment and helps the upsurge of the economies. In addition, the horizontal unions of air traffic companies have participation in international companies for catering, insurance, electronic services and exert

firm diversification towards tour operators and holidays' retailers. The action methods of air traffic companies range from absolute ownership, combined with joint ventures and small property deals, to technical union agreements. Nowadays, **the strategic unions** between air traffic companies are the most often used **growth formula**. This is a result of the growing competition and the deregulation effects that influence the sector and that cause great concentration of air traffic operators (United Nations Conference on Trade and Development, 2008).

Hotel customers are progressively looking for predictable services, which help their fast and easy mobility all over the world. In reality, the business and lifestyle of business tourists are influenced by globalization. The concept for **designing of the separate brands globally** is a temptation that is totally under control of various companies in the hotel industry. This continues to be *uncertainty about the benefits of the creation of one sole brand* for global market presence, responding the style of as many markets all over the world as possible in contrast with *the unique local conditions*.

Some international hotel companies have tried to develop separate brands and products and to present them as unified fashion on as many markets all over the world as possible. The compensating tendency is that many people – both tourists and business tourists try *the unique qualities and customs* in the individual locations. As a response to that, some international hotel companies reflect the local culture by the way their hotels are designed and operate (Lorraine, E., E. Potter, 2008).

There is consensus that "global travelers" – those who travel often, no matter whether on a business trip or on holidays, usually prefer **a unified product**, because they want predictable *convenience and comfort*, and they need *high quality*. Those, who do not travel so often, need **very high level of finesse**

and in this case such domineering global brand and product concepts can be avoided. A third group of people are looking for things that they are accustomed to and they are attracted by some brands, because they are familiar with them. Briefly, they prefer to stay in surroundings that reflect their home – **based experience**.

The customers' expectations are related with *the product quality*. Hotel products of lower grade are easier to be standardized globally. When the products' quality is of higher grade, customers sense some differences in the services' quality, which are not difficult to be met.

One common problem for hotel companies in global scale is the need for development of **global brands and prestige**, as well as execution of **good management**, and **staff** that is oriented as close to the customer in the everyday business as possible. The decentralized structures allow the hotel company to give power to the employees on the spot. When the customer passes through the door, the service is controlled and developed on local level with almost no interference.

However, the key and potentially disputable question remains. *Are the chains and the operating mass scale economies that include more decentralization inappropriate in global context?* Customers want to be serviced locally in hotels that they patronize. They want to make reservations and to communicate electronically using the Internet. They orient themselves towards an economy, in which it is possible to have global organization of marketing and operations. While everyday questions shall be managed locally, marketing is a function that is widespread in the chain, and it is based on *realizing the benefits* of the global structures.

Nowadays, tourist organizations shall understand their activities as a part of one global market in connection with the opportunities this market offers as well as

in connection with the growing competition. This suggests the presence of foreign multinational companies on their local market. Therefore, the active or passive strategy for **internationalization** becomes one of the most important decisions for the tourist companies.

Tourism industry is a combination of large, small and mid-size companies, all of them influenced by the air transport companies' deregulation, by the emergence of new tourist destinations, by changes in demand and technological innovation. The highly globalized range of the air transport companies and the tourism nature itself impose adaptation of the tourist companies' structures to the new international environment, in which there are more and more horizontal and vertical groups of **transnational type**.

The new century brought the organizational structures, which integrate the individual business in a **global structure**, closer together. This structure has become a challenge. Information technologies give global tourist companies the opportunity to organize and, in addition, to offer electronic communication with customers over long distance.

Tourist companies' employees are a mixture of many cultures, customs and languages. They need new look and managerial skills. Modern schools shall focus on topics connected with **global environment**: communications, international marketing, law, history, geography and languages.

CONCLUSION:

The globalization of the business and lifestyle is characterized by long distance communication, foreign languages, and frequent trips to overseas countries, transfer through many currencies, copying of many political and social systems, natural environment that is regulated in different ways, culture and customs. While these aspects of the globalization are easy for identification, the understanding of the major directions and future trends can be a problem.

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