Transport and Tourism

Lecture 12
Global, national and local perspectives and issues
Challenges of globalisation and the quality of the services

Interrelationships between transport and tourism

- The concept of a tourist transport system was developed as a framework in which to understand the interrelationships between different elements in such systems.
- Using a systems approach to the analysis of tourist transport highlighted the importance of inputs to the system (e.g. the demand and supply) as well as controlling influences (e.g. government policy) and outputs (the tourist travel experience) and the effect on the environment.
Tourist transport provision in the new millennium: the challenge of globalisation

• As Figure 10.1 shows, a number of simultaneously occurring processes of change are happening in terms of the world economy, transport and tourism that affect the production and consumption of tourism services.

• What Figure 10.1 highlights is the global processes at work that are both interconnected at an international level but also lead to national and local differences in the way global forces interact to form different outcomes in tourist and transport activity.

Figure 10.1 Processes of change in tourist transport provision

Globalisation

• One obvious manifestation of the globalisation in service delivery is the increasingly sophisticated marketing activity undertaken by transport providers seeking to nurture tourist markets, especially through the use of branding.

• Globalisation is also very marked in those sectors that deal with the management and logistics of international travel, reflected in the business strategies used by transport operators.
Globalisation / 2

- Globalisation inevitably produces 'winners and losers' in the pursuit of business, and a number of distinct processes are associated with it:
  - **Deregulation**, where the entry barriers to many sectors of the tourist transport business have been removed and large oligopolies are challenged by new entrants.
  - **Technological change**, which has revolutionised the organisation, management and day-to-day running of tourist transport businesses with the introduction of information technology (IT).
  - **E-travel: the global marketplace - dynamic packaging** (where customers can package their own trip online in much the same way that tour operators or travel agents would have done for clients).
  - **The wider impact of telecommunications** on travel as the two elements fuse to enable people to travel and work on the move.
  - **Increasing regional and international mobility**
  - **Regional change**: the highest costs for air travel remain in Europe and North America (despite the impact of low-cost carriers).
  - **Hypercompetition**: within the global marketplace, tourist transport providers are facing pressures continually to improve products and to remain competitive. This hypercompetition is typified by:
    - rapid product innovation;
    - aggressive competition;
    - shorter product life cycles;
    - businesses experimenting with meeting customers' needs;
    - the rising importance of alliances;
    - the destruction of norms and rules of national oligopolies.

Globalisation / 3

- The two processes of **globalisation and hypercompetition** are powerful forces affecting the tourist transport sector and a number of themes emerge that are worthy of further discussion:
  1. business strategies;
  2. government policy, integration and the environment;
  3. the role of the consumer;
  4. the growing importance of tourist safety and security issues;
  5. the growing significance of service quality;
  6. the introduction of total quality management systems.
1. Business strategies used by tourist transport operators

- The business environment is
  - very volatile and
  - highly changeable in the early twenty-first century
  - due to global uncertainty about terrorism, which has meant that
  - business strategies have to be able to adapt to these new conditions quickly if markets and business performance are to be maintained.

2. Government policy, integration and the environment

- Underpinning the provision of services is the process of globalisation and the effect of trading blocs and economic groupings.
- For governments and NGOs, policy has sought to achieve a delicate balance between
  - the needs of the consumer and
  - ensuring a healthy business environment for companies.
3. Visitor safety and security

- Many governments have faced **pressure** to implement legislation and policies
  - to increase **surveillance for global terrorism** and
  - to improve **border controls**,
  - as the **USA** has begun to do with the use of **biometrics** to scan a visitor’s pupil and fingerprint to verify identity.

4. The tourist as a consumer

- Swarbrooke and Horner (2007) reiterate the importance of **consumer behaviour research** in tourism, since from a tourist transport perspective it allows businesses to
  - **plan infrastructure** developments,
  - **identify product opportunities**,
  - **set price levels** for products and
  - **identify market segments** and
  - the **best marketing medium** to promote the product.

- **Consumer behaviour** is one area that tourist transport operators will need to focus on if they seek to understand what motivates tourists to travel, and to select specific **modes of transport**

Plate 10.1. CCTV monitoring car parking at Larned Euros, with anti-smog design to reduce car fumes.

Plate 10.2. One of the trends in the cruise ship industry is towards larger and more luxurious provision with value-added to the experience as exemplified with the QM2. Cruises, vessels, the Orient.
5. Service quality issues in tourist transport

- Irons (1994) explains the triangle of the interactions within the organisation:
  - An organisation needs to associate its internal culture with the one it portrays externally and this underpins the relationships evident in Figure 10.3.
  - Within the organisation, power needs to be devolved so that the relationships can be developed and the appropriate skill and know-how provided at the point where customer satisfaction is met.
  - The organisational values and culture need to be clearly understood by all employees so that they affect their actions and activities in relation to customers.
  - Managers need to lead the process, empowering people at the various levels in the organisation to achieve customer-related targets. In other words, managers need not only to exercise a degree of control in the management function, but also to lead the organisation in this era of the consumer, as epitomised by Southwest Airlines.
  - A customer focus is critical, rather than a focus first on the product and then on its purchasers.

Figure 10.3 Irons’ service quality triangle
(Source: Based on Irons 1994)

5. Service quality issues in tourist transport/cont’d

- Gummesson (1993) argued that four qualities affected customer perceived satisfaction. These were:
  - design quality;
  - delivery quality;
  - relational quality;
  - production quality.

- A further model of quality was developed by Zeithmal et al. (1990), which was based on gap analysis and focused on four dimensions:
  - customers not knowing what to expect;
  - inappropriate service quality standards;
  - a service–performance gap;
  - company promises not matched by delivery.
6. Total quality management

- TQM developed as a corporate business management philosophy and it even has an academic journal – TQM – devoted to research in this area.
- Why should this be of interest to the tourist transport system?
- The growing concern for consumers, quality and total supply management in the tourist transport system is part of the move towards TQM amongst service providers.
- TQM is an all-embracing approach that enables an organisation to develop a more holistic view of consumers, quality issues and service provision as an ongoing process.
- One of the real challenges for TQM in tourist transport systems is
  - to establish what the customer considers as excellence in service provision and
  - the design of service delivery systems to deal with individual tourists’ requests, requirements and needs.

Implementation of TQM for a tourist transport operator

1. Understanding: to understanding the concepts of TQM by the CEO of any organisation.
2. Commitment and policy: what the organisation hopes to achieve.
3. Organisational structure: changes needed to fit with the new ethos.
4. Measurement: the inputs (raw materials), output (product), performance of employees and any costs of failure need to be quantified. (Intangible elements: SERVQUAL survey.)
5. Planning: to assess the nature of the service process (who it serves, when and where).
7. Capability: the specific ability of the organisation for future modifications.
8. Control: function to ensure the service.
9. Teamwork: quality circles in the organisation, working as a team.
10. Training: to ensure a continuous improvement in quality.
11. Implementation: at the top of the steps.
Business cost reduction strategies to remain competitive

- Transport operators are also turning to new solutions to reduce other components of their operational costs.
- In the analysis of cost drivers in 42 of the world’s airlines, a number of variables were examined:
  - the fleet composition of airlines (see Plate 10.5);
  - the flying personnel used, particularly the number of flight crew per aircraft;
  - the route network;
  - cost drivers, operating expenses and profitability in terms of:
    - the composition of traffic;
    - route structure;
    - salaries/remuneration levels.

Plate 10.5: Many low-cost airlines use a standardized fleet, such as the Boeing 737-300 used by easyJet to reduce maintenance and repair costs.

Table 10.4 The potential for cost reductions amongst airlines

<table>
<thead>
<tr>
<th>Cost items</th>
<th>Route network</th>
<th>Fleet composition</th>
<th>Company policies</th>
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</thead>
<tbody>
<tr>
<td>Aircraft crew costs</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Engineering overheads</td>
<td>X</td>
<td>XXX</td>
<td>X</td>
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<tr>
<td>Direct engineering costs</td>
<td>X</td>
<td>XXX</td>
<td>X</td>
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<tr>
<td>Marketing</td>
<td>XXX</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Aircraft standing</td>
<td>XXX</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Station and ground services</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Passenger services</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>General and administrative costs</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Fuel</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Airport and en-route costs</td>
<td>X</td>
<td></td>
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</tr>
<tr>
<td>Direct passenger service</td>
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</tbody>
</table>

XXX Significant cost reduction potential
X Some cost implications
Source: Adapted from Sperio and Vespalainen 1997: 21.

- As Table 10.4 shows, airlines can identify three areas for cost drivers to effect changes in operational costs in terms of route network, fleet composition and company policies.
• Using quantitative research methods (e.g. factor analysis), the variables were analysed and a model was built (Figure 10.6).

• This model highlights how various factors and variables were interrelated and, as a result, it identifies the cost items and the factors where cost reductions were possible.

Adding value in destination and consumer rights

• Public transport certainly has a valid role to play in achieving sustainable tourism objectives in local areas.

• Such initiatives
  – not only make a contribution to the reduction of congestion and environmental pollution in areas of natural beauty,
  – but also offer access opportunities for disabled people, cyclists and casual travellers
  – in place of the car.
Air rage and passenger behaviour: a worrying trend?

One **worrying trend** in the airline sector is the rise in ‘**on-board incidents**’ where **unruly passengers disrupt the flight**, and in extreme cases can cause **severe problems for in-flight staff** and pose **safety threats**.