

Marianna Sigala · Anastasia Yeark ·
Rajka Presbury · Marcela Fang ·
Karen A. Smith *Editors*

Case Based Research in Tourism, Travel, Hospitality and Events

 Springer

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Foreword

Dr. Kirsten Holmes

Professor | School of Marketing

Dean, Research | Faculty of Business and Law

Chair of the Council for Australasian Tourism and Hospitality Education (CAUTHE)

This new case study volume fills a valuable gap in the tourism, hospitality and events literature. There is a vital need for contemporary and well-structured case studies for use in THE teaching. While many of the case studies are from Australasia, these are presented alongside contributions from key destination regions in Asia, Europe and the Caribbean. The volume will, therefore, be helpful for THE tertiary teachers globally. The topics are varied and contemporary including recent concerns such as the close of Uluru to climbers, the 2019/20 Australian bushfires and the ongoing impacts of COVID-19 on the travel and hospitality sectors. The volume is logically structured, to cover the main themes within THE degree programs and the case studies consistently designed with questions to aid teachers in the classroom. Additionally, THE businesses will benefit from the learnings within each case study.

Prof. Xander Lub

PhD, Utrecht University of Applied Sciences/Nyenrode Business University
President, EUROCHRIE

This collection of case studies in tourism, hospitality and events forms a valuable addition to the literature. Our friends in APaC already have been inspiring us with their wonderfully rich research, but this volume of case studies now also inspires us as educators and will inspire our students with original cases that provide context to their learning and demonstrate the richness and variation of our industry. Moreover, presenting cases from contexts different from students' local environments helps them develop the global citizenship skills which are so essential in our industry. Finally, the book also clearly demonstrates how research can inform our teaching. The book is clearly laid out in relevant sections that allow teachers to not just teach their own subjects but to also demonstrate the links between different domains

involved in developing experiences in the industries we teach about. On behalf of EuroCHRIE, I would like to congratulate the editors on bringing together such an esteemed group of authors and their cases in this useful book.

Prof. Brian King

PhD, Hong Kong Polytechnic University
Chair, THE-ICE Assessment Panel

I welcome and commend this pioneering volume of tourism, hospitality and events cases. The grouping under five themes – (a) experiences, (b) operations, (c) technologies, (d) strategy and marketing and finally (e) destinations – provides subject lecturers with a structure to guide tourism students through the challenge of applying theory into practice. Though Australasia-based tourism scholars have long “punched above their weight” in research, new publications which shape the quality and effectiveness of teaching are particularly welcome. The International Centre of Excellence in Tourism and Hospitality Education (THE-ICE) was established in Australia to advance education, with an emphasis on benchmarking, accreditation and quality enhancement. As chair of the THE-ICE assessment panel, I am confident that our global members will embrace the 25 insightful cases and use the new publication to refine their teaching methods. Editor Professor Marianna Sigala has assembled an impressive range of contributing authors, benefiting from her experience as editor of the *Journal of Hospitality and Tourism Cases* (JHTC). *JHTC* differs from other more scientifically focused journals by incorporating teaching objectives, suggested themes, questions and answers. The case study method epitomizes the research informed teaching principle. Congratulations to the editors, Springer, CAUTHE and all contributors!

Dr. Paul Whitelaw

Academic Director, Hotel School Partnership, Southern Cross University, Australia

This compilation of case studies marks a significant contribution to hospitality, tourism and events pedagogy. At a time when the industry is demanding that our graduates have a strong grasp of “real-world issues”, the case study approach provides an accessible, meaningful and relatable means by which students can engage in real-world issues. In my role as Co-Leader of the Australasian wide “THE Threshold Learning Outcomes Project”, I engage with colleagues who are keen to use materials that are relevant and engaging and which provide a sound platform for authentic assessment that assures us that our students develop academic mastery of their subject matter, and the ability to apply that knowledge beyond the classroom. This book helps address that need. I commend the book to teachers of both undergraduate and postgraduate students across the globe.

Contents

Part I Introduction

- 1 Case Study: An Underestimated Research and Pedagogical Method** 3
Marianna Sigala, Anastasia Yeark, Rajka Presbury, Marcela Fang,
and Karen A. Smith

Part II Experiences

- 2 Designing Servicescape and Experience with Art: Learnings from *The d’Arenberg Cube*, Australia** 13
Marianna Sigala
- 3 A Day in the Life of Guest Experience Stagers: The Saffire Freycinet Experience** 37
Anita Manfreda and Justin King
- 4 Extraordinary (Memorable) Experiences in Events: The Case of Skylighter Fireworx, Australia** 57
Anastasia Yeark and John Powers
- 5 Boom Then Bust at the George Hotel** 73
Eileen Aitken-Fox
- 6 High-End Restaurants During COVID-19: The Beginning of a New Fine-Dining Era?** 93
Sandra Cherro Osorio, Ana Delevska, and Peter Matheis

Part III Operations

- 7 The Power of Words: A Case Study of Service Language in an Australian Five-Star Hotel** 117
Madalyn Scerri and Rajka Presbury

8	Hidden Factors: Operations Management Implications for the Hayman Island Resort	135
	Zdenka Gabrielova and Marcela Fang	
9	Hotel Revenue Management Strategy – Impacts and Consequences of Changes in Management	155
	Antoine J. Bisson	
10	The Expansion of MexHospitality: Exploring the Ethical Implications of Hospitality Outsourcing	171
	Blanca A. Camargo	
11	Exploring the Relationship Between Hotel Classification System and Service Quality: A Case Study of the Indian Hotel Industry	181
	Tahir Sufi	
Part IV Technologies		
12	How to Design a Smart Tourism Destination: The Case of Granada	201
	Luis-Alberto Casado-Aranda, Juan Sánchez-Fernández, and Ana-Belén Bastidas-Manzano	
13	Marketing Suburban Tourism Destinations on Social Media: The Case of the City of Joondalup, Western Australia	219
	Oscar Vorobjovas-Pinta and Violetta Wilk	
14	Mandatory System Usage Behaviour: A Case Study in Australian Resorts	237
	Leo Y. L. Kwong, Susan Foster, and Victoria Peel	
15	EHS Hotels: Neuroimaging or Self-Reports When Evaluating Tourism Advertising and Websites?	255
	Luis-Alberto Casado-Aranda, Juan Sánchez-Fernández, and Ana-Belén Bastidas-Manzano	
Part V Strategy and Marketing		
16	KASA Turkey: Solving a Strategy and Sales Issue While Keeping Core Values: An Intrepid Travel CASE STUDY	279
	Rachel Dodds and Michael Sadowski	
17	Strike While the Iron Is Hot: A Case of Market Opportunity for the Sydney Conference and Training Centre	295
	Rajka Presbury and Winnie Ho	

18 When the Whole Is Greater than the Sum of Its Parts: Hotel Marketing Consortia as a Winning Strategy 319
 Sofia Almeida, Thanasis Spyriadis, Carlos Costa, José Manuel Simões, and Ana Cláudia Campos

19 The Case of the Hogtown Hotel: Asset Management in Hospitality 343
 Gabor Forgacs

20 Learning from Strategic Failures: What Really Happened to AtlasGlobal Airlines? 359
 Tugba Gurcaylilar-Yenidogan and Burcu Kantarcioglu

21 The Role of Strategic Stakeholder Groups in the Air Transport and Tourism Industries 379
 Bing Chan and Sik Kwan Tai

Part VI Destinations

22 Sustainable Tourism and Public Opinion: Examining the Language Surrounding the Closure of Uluru to Climbers 401
 Bridget Tombleson and Katharina Wolf

23 Decision-Making in Times of Crisis: Bringing Back Binna Burra Postbushfire 421
 Debbie Cotterell, Sarah Gardiner, Margarida Abreu Novais, Natasha Montesalvo, and Ross Westoby

24 Seasonality, Small-Scale Sustainable Events, and Local Professionals’ Perceptions: The Case of AlmiraMAN Triathlon Event 443
 Sofia Gkarane and Chris A. Vassiliadis

25 ‘Little Australia’: Unpacking Cosmopolitanism in Niseko, Japan 463
 Kim Nelson, Rosemary Black, and Larissa Bamberry

26 Repositioning Gold Coast: A Place Branding Perspective 483
 Marco Ocke and Allan Augusto Platt

Correction to: Hotel Revenue Management Strategy – Impacts and Consequences of Changes in Management C1

Index 501

List of Figures

Fig. 3.1	Saffire Freycinet exterior	38
Fig. 3.2	Saffire Freycinet staff and airport lounge	40
Fig. 3.3	Saffire Freycinet entrance, lobby, private jetty and buffet lunch	42
Fig. 3.4	Private pavilion details and guests relaxing.....	44
Fig. 3.5	Saffire Freycinet at sunset, evening drinks at the lounge, and food and beverage staff	46
Fig. 3.6	Saffire Freycinet experiences: the Oyster Farm and Bee-keeping	47
Fig. 4.1	Skylighter Fireworx, Sea Fire on the Gold Coast (2018).....	58
Fig. 4.2	From top left clockwise – Skylighter Fireworx Team 2019; Skylighter Fireworks Flame Shooting Displays, 2019; Skylighter Fireworx Aquatic Displays, 2019; and Brisbane New Year’s Eve Skylighter Fireworx Display, 2019.....	61
Fig. 5.1	Population growth, Total Greater Australian Capital Cities 2017 to 2014. (Adapted from the Australian Bureau of Statistics, 2015)	74
Fig. 5.2	Hofstede Cultural Dimensions. (Adapted from Hofstede Insights, 2020)	76
Fig. 5.3	New Perth CBD Hotel Openings Completed since 2012. (Adapted from Tourism Western Australia, 2017).....	80
Fig. 5.4	Perth Hotel Occupancy, Average Daily Rate and Revenue per Available Room. (Adapted from Tourism Western Australia, 2017)	80

Fig. 6.1 US sales by restaurant type during COVID-19 crisis, percentage change from 2019 as of 17th April 2020. (Source: Haas et al., 2020)..... 96

Fig. 6.2 Business Model Canvas Template. (Adapted from The Strategy Group, 2018) 98

Fig. 6.3 Alinea’s weekly offering. (Source: AlineaGroup Instagram page) 101

Fig. 6.4 Odette’s commitment to safety and hygiene. (Source: Odette at Home Instagram page)..... 102

Fig. 6.5 Massimo Bottura #KitchenQuarantine Instagram videos. (Source: Massimo Bottura’s Instagram page, Video link: https://www.instagram.com/tv/B9148NvJexL/?utm_source=ig_embed)..... 103

Fig. 6.6 Andoni Aduriz #YoMeQuedoEnCasaCocinando Instagram video. (Source: Andoni Aduriz’s Instagram page, Video link: <https://www.instagram.com/p/CBlkio7KIKo/>)..... 105

Fig. 6.7 Ben Shewry’s live “cookalong” Instagram demonstrations. (Source: Ben Shewry’s Instagram page)..... 106

Fig. 6.8 Projected sales by restaurant type. (Source: Haas et al., 2020)..... 106

Fig. 7.1 The service language model. (Reproduced from Scerri, 2015 and Scerri et al., 2017)..... 119

Fig. 8.1 Google Earth 2020, *Whitsundays* [online map], viewed 25 July 2020. <https://goo.gl/maps/LsQFmkbryamPLfdd7> 138

Fig. 8.2 Actual supply & demand of rooms. (Data source: STR, LLC. STR (2019) Trend Report – Whitsundays Area SubMarket. Republication or other re-use of this data without the express written permission of STR is strictly prohibited) 142

Fig. 8.3 Actual occupancy and ADR. (Data source: STR, LLC. STR (2019) Trend Report – Whitsundays Area Sub-Market. Republication or other re-use of this data without the express written permission of STR is strictly prohibited) 142

Fig. 8.4 ADR, occupancy & RevPar percentage change. (Data source: STR, LLC. STR (2019) Trend Report – Whitsundays Area Sub-Market. Republication or other re-use of this data without the express written permission of STR is strictly prohibited) 143

Fig. 8.5 Weekday/weekend/total actual occupancy. (Data source: STR, LLC. STR (2019) Trend Report – Whitsundays Area Sub-Market. Republication or other re-use of this data without the express written permission of STR is strictly prohibited)..... 143

Fig. 8.6	Weekday/weekend/total actual ADR. (Data source: STR, LLC. STR (2019) Trend Report – Whitsundays Area SubMarket. Republication or other re-use of this data without the express written permission of STR is strictly prohibited)	144
Fig. 9.1	Map of New South Wales highlighting where Alec Weiss’ properties are located	156
Fig. 9.2	Landorn Wollongong Profits (2015–2019)	159
Fig. 9.3	Landorn Wollongong Operating Costs (2015–2019).....	160
Fig. 9.4	Landorn Hotel data compared to STR trend of Wollongong market (2020). (Source: STR, LLC. Republication or other re-use of this data without the express written permission of STR is strictly prohibited)	161
Fig. 9.5	Monthly Indexes against competitors	162
Fig. 11.1	Techniques for improving the hotel service quality. (Sufi, 2019)	183
Fig. 11.2	Framework for exploring the relationship between hotel classification system and service quality	190
Fig. 12.1	(a) Example of augmented reality typical of a smart tourism destinations. (b) Example of the hazards of noninclusive paving typical of traditional tourism destinations. (Source: (a) Pixabay (9 February 2020) at https://n9.cl/ztx5 ; (b) Adapted from Moravia (9 February 2020) at https://n9.cl/qwe2)	206
Fig. 13.1	Social media monitoring analysis. (a) Sentiment break down for the City of Joondalup. Positive sentiment represented by the green bar and negative sentiment by the red bar. (b) Sentiment Trend for the City of Joondalup. Positive sentiment represented by the green line and negative sentiment by the red line. (c) Social Media Type Trend for the City of Joondalup. (d) Post volume for the City of Joondalup. Activity decrease represented by down arrows. Source: Salesforce (2020)	226
Fig. 14.1	Matrix of mandatory user responses, adapted from Bhattacharjee et al. (2018, p. 398)	239
Fig. 17.1	Aerial shot of the SCTC. (Reproduced from Promotional Material from SCTC).....	297
Fig. 17.2	Map location of the SCTC. (Reproduced from google maps).....	298
Fig. 17.3	SCTC. (Reproduced from Promotional Material from SCTC)	300
Fig. 17.4	Location of SCTC within precinct plan. (Reproduced from Google maps)	306

Fig. 18.1 Geographical position of the story protagonist in Portugal (right side) and Portugal in Europe (left side) (Personal collection) 320

Fig. 18.2 Services provided by Hotel Marketing Consortia. (Source: Adapted from Almeida, 2018; Holverson & Revaz, 2006; Holverson et al., 2010; Knowles, 1996; Quesada & Ruiz, 2006; Roper, 1992; Slattery, 1985; Walker & Walker, 2013) 323

Fig. 20.1 Air routes of AtlasGlobal. (Prepared by authors utilising from the statistics of AtlasGlobal, 2019) 366

Fig. 20.2 The portfolio of AtlasGlobal for multiproduct and multi-business lines – (a) Business portfolio of AtlasGlobal Airlines, (b) Core business and diversification in related businesses, (c) Strategic business units and diversification in unrelated businesses. (Prepared by authors according to NACE codes) 367

Fig. 21.1 Traditional view of the distribution channel structure and strategic members, authors (2020) 380

Fig. 21.2 Three major global distribution system providers, authors (2020) 386

Fig. 22.1 (a) Climb Closure signage at the bottom of Uluru, online image, viewed 25th July 2020. Source <https://www.mercurynews.com/2019/10/25/uluru-permanently-closed-to-climbers/>, (b) Original signage asking visitors not to climb, online image, viewed 25th July 2020. Source <https://www.sbs.com.au/nitv/article/2017/10/26/5-reasons-why-you-shouldnt-climb-uluru>, (c) Example of social media post, commenting on the rush to climb Uluru prior to its permanent closure. Source www.twitter.com, (d) Social media post depicting the rush of climbers over the final weeks of the climb. Source www.twitter.com 405

Fig. 22.2 Wordcloud from Social Studio on #Uluru 1 October – 7 November 2019 407

Fig. 23.1 Map of Binna Burra Lodge as of February (2020) 423

Fig. 23.2 Disaster management guideline phases (the State of Queensland (Queensland Fire and Emergency Services), 2017) 425

Fig. 23.3 Timeline of the Binna Burra event (Griffith Institute for Tourism, 2019) 426

Fig. 23.4 Before and after the bushfire images (Binna Burra Lodge, 2020) 429

Fig. 23.5	Binna Burra Disaster recovery framework (Binna Burra Lodge, 2019, p 3).....	430
Fig. 23.6	Chairman viewing the remains of the heritage-listed buildings at Binna Burra Lodge (2020a)	432
Fig. 24.1	The region of Paralia Katerinis village & The region of the AlmiraMAN triathlon sports event; 11–12 May 2019 Source: https://www.almiraman.gr/english/almiraman_en.html . Accessed on 28-11-2019. Source: https://web-greece.gr/destinations/katerini/ . Accessed 28 03 2020.....	445
Fig. 24.2	Perceptions of Paralia Katerinis’ professionals regarding seasonality impact on their business activities and the destination.....	453
Fig. 24.3	The number of professionals relative to their perceptions of the high, medium, and low seasonality	453
Fig. 24.4	The professionals’ perceptions regarding the impact of AlmiraMAN organization on seasonality mitigation	455
Fig. 25.1	The geographical location of Niseko in Japan (Nelson, 2019)	467
Fig. 25.2	Villages within the Niseko ski area (Nelson, 2019).....	468
Fig. 25.3	Hirafu streetscape. (Image author’s own)	469

List of Tables

Table 3.1	Lesson plan	51
Table 6.1	High-end restaurants during COVID-19.....	99
Table 6.2	BMC building blocks.....	108
Table 7.1	Service Language model summary by subcategories	130
Table 8.1	Cyclone history affecting the Whitsundays region (2011–2018).....	140
Table 8.2	Number and type of Whitsundays accommodation properties on the STR list as at 25 October 2019	141
Table 9.1	Lecture plan for using the case study in class.....	166
Table 11.1	Evaluation criteria for Hotel star ratings in India (Hotels & Restaurants, 2020).....	185
Table 11.2	Number of years for which the star ratings are awarded (Sufi, 2019)	186
Table 11.3	Total number of hotels under different categories (National Database, 2020)	188
Table 11.4	Category wise listing of hotels under different star category (National Database, 2020)	191
Table 11.5	The differences between perceptions about the different areas of hotel classification system between customers and hotel managers	192
Table 11.6	Comparison of perceptions of managers of classified and unclassified hotels	193
Table 12.1	Features of traditional and smart tourist destinations	206
Table 12.2	Examples of smart applications and services adopted by Benidorm.....	209

Table 13.1	Top Five leisure activities during trip in Perth metropolitan region, averaged over years 2016, 2017 and 2018.....	224
Table 13.2	Target audience persona development template.....	233
Table 14.1	Demographic characteristics and work profiles of the participants.....	242
Table 14.2	Description of the workflow block identified, adapted from Kwong (2019, p. 528)	243
Table 15.1	Differences between traditional self-report (i.e., Idith Consultants) and neuroimaging techniques (i.e., Neuronsy Consultants) tools.....	259
Table 15.2	Overview of the Idith quote	261
Table 15.3	Overview of the quote of the four consumer techniques offered by Neuronsy.....	263
Table 15.4	Advantages associated with self-reports and consumer neuroscience tools of market research.....	271
Table 16.1	Teaching Approach A: Class activity and time	287
Table 16.2	Teaching Approach B: Class activity and time	287
Table 16.3	Teaching Approach C: Class activity and time	288
Table 17.1	Tourism statistics for NSW and Northern Beaches Council 2018/2019. (Reproduced from Profile id)	304
Table 17.2	Key statistics of Northern Beaches Council. (Reproduced from the Australian Bureau of Statistics, 2016).....	304
Table 17.3	Potential competitors	307
Table 17.4	Description of Bushland Walking Tracks. (Reproduced from Kuringai Council)	310
Table 17.5	List of street markets in the Northern Beaches. (Reproduced from Northern Beaches Council)	312
Table 17.6	Calendar of the events and festivals in the Northern Beaches. (Reproduced from Northern Beaches Council)	313
Table 19.1	Segmentation summary – Hotel Hogtown vs. Competitive set 2019	346
Table 19.2	Income statement summary – HOTEL Hogtown – 2019.....	348
Table 24.1	Key points of discussion in the interview guide	450
Table 24.2	Quantitative analysis of the research data (total number of respondents = 24).....	452
Table 24.3	The professionals’ suggestions for actions to be taken by local authorities to mitigate tourism seasonality in Paralia Katerinis.....	454

Part I
Introduction

Chapter 1

Case Study: An Underestimated Research and Pedagogical Method



Marianna Sigala, Anastasia Yeark, Rajka Presbury, Marcela Fang,
and Karen A. Smith

Abstract The book includes a compilation of various case studies from the tourism, hospitality and events sectors, contributed by international scholars. The case studies investigate topical and contemporary industry challenges and practices, and they are accompanied by a teaching note guiding educators on how to use and embed cases into their teaching and assessment methods. Case studies are for long and widely recognised as an effective method to conduct research, produce new knowledge but also enrich and support educational and instructional practices. However, the case study is limitedly known and used as a research method in tourism and hospitality. Tourism educators are also lacking contemporary case studies from the tourism industry, which they can use to complement and enrich their instructional purposes. This book fills in these gaps in tourism research and education by showing scholars how to use case studies to conduct research and advance (new) theory as well as to enrich their educational practices.

Keywords Case study · Teaching note · Research method · Pedagogical method · Instructional practices · Knowledge building

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Introduction: Scope and Aims of the Book

It is our pleasure to present this book, including a compilation of various case studies contributed by international scholars. The case studies investigate topical and contemporary industry challenges and practices from the tourism, hospitality and events sectors, which can help scholars to build new theory for advancing tourism research and educational practices.

The idea for this book of case studies originated in discussions within CAUTHE – The Council for Australasian Tourism and Hospitality Education – and the association has been a strong supporter of the project. CAUTHE represents the interests of higher education providers of tourism, hospitality and events education at bachelor degree level and above in Australia and New Zealand.

The book represents the outcome of an endeavour that we have inspired in order to help scholars in our field with their academic work. Case studies are for long and widely recognised as an effective method to conduct research, produce new knowledge but also enrich and support educational and instructional practices (George, 2019; Dorta-Afonso, 2019). However, the case study is limitedly known and used as a research method in tourism and hospitality (Çakar & Aykol, 2021), while scholars are struggling to find updated, contemporary and pedagogically effective cases from the tourism, hospitality and events sector to complement their teaching. It is also found (Penn et al., 2016) that the most significant barrier to the use of case studies in teaching is the development of new case studies and the lack of training and collaboration opportunities to researching information and writing them. In this vein, we are very grateful to CAUTHE and other institutions in Australia (Curtin University and Torrens University Australia) for providing the opportunity to Professor Marianna Sigala to deliver workshop sessions aiming to train and help scholars on how to conduct case studies for reach and pedagogical purposes. These workshops have definitely created wider awareness of our project and its aims, while it has also prepared and inspired many scholars to develop and submit a case study for this book.

We hope that this book will help its readers to familiarise themselves with the case study method and better understand its advantages by immersing into the depth, the richness and the multidimensionality of the findings this research method can produce. The book also aims to assist instructors to enrich and complement their instructional methods not only with topical case studies but also with a teaching note guiding them on how to use and embed cases into their teaching and assessment methods. It is understood that not all instructors receive sufficient training on how to use case studies for pedagogical purposes, while a teaching note written by the author of the case study itself can certainly provide some interesting, new and/or different approaches and issues that educators can include into their instruction.

The following sections provide a very short commentary on the scope, use and benefits/disadvantages of case study as a research and pedagogical method. We hope that this summary presentation can provide a good introduction to readers about a case study as well as further guidance on where to find additional

information. We then present the content and structure of the book to better help the readers understand what they can find within its pages. Finally, we provide our understanding on who and how is going to benefit by using this book, before we conclude by acknowledging and thanking everyone who has contributed to this book.

Case Study as a Research Method

Case study based research has been for long recognised as a robust and solid research methodology for not only understanding and critically analysing industry reality and practices, but also for theorising and building new knowledge. Case study research is preferred by researchers when (a) the main research questions are “how” or “why” questions; (b) the researcher has little or no control over behavioural events; and (c) the concentration of the research is a contemporary (as opposed to entirely historical) phenomenon (Yin, 2014).

Case study method is described as “*a method that uses multiple data sources to develop a contextualised understanding of the phenomenon with the intention of confronting theory by comparing it with empirical data*” (Hoorani et al., 2019, pp. 286–287). As a qualitative research method, case study aims to use various and/or divergent data collection sources, methods and perspectives in order to provide deep and hidden meanings and sometimes controversial stakeholders’ perspectives of the studied phenomena (Hollinshead, 2004). There are different ways in which to implement case study research for comparing theory with reality data depending on what and when (the timing/duration) of what is being compared e.g. (Flick et al., 2004): a comparative study, a retrospective study, a snapshot (e.g., analysis of state and process at the time of the research), or a longitudinal study. Case study findings and interpretations usually include researchers and research objects’ narratives that naturally reflect the complexities and contradictions of real-life (Flyvbjerg, 2006). This is also one of the reasons why case study research is criticised for lack of objectivity and generalizability, where both reliability and validity are questioned.

Despite its limitations, case study research provides several benefits, including the ability to build new theories and knowledge, by enabling researchers to:

- link theory and practice (Brodie et al., 2008)
- combine the theoretical language and the industry/professional perspectives who usually do not ‘understand’ or use the academic terminology (Brodie & De Chernatony, 2009; Brodie & Gustafsson, 2016; Brodie et al., 2011)

Case study has been used for advancing research and theorising in various disciplines (including social and management sciences) as well as in various contexts such as marketing/branding, service research, HRM, finance and technology (Hoorani et al., 2019). Çakar & Aykol (2021) provide a nice systematic review of case study research in tourism and hospitality as well as useful guidelines on how to implement and best use it for research.

Case Study as a Pedagogical Method

Case based research and industry case studies are ideal for educational practices (Dorta-Afonso, 2019). Case studies can equally complement, enrich and make teaching, learning and assessment practices more engaging, interesting, edutaining but also much closer to the industry reality. Case studies can support what is usually defined as experiential education (Arcodia & Dickson, 2009), aiming to provide an interesting and interactive way of reducing the distance between theory and practice. Case studies are equally and easily adaptable and popular in the classroom, whether on campus or online.

When included in instructional methods, case studies can make learning more attractive and interesting, but it can also enable students to better understand theory, develop their critical and analytical skills, as well as advance their problem solving and theory development skills (Ahmad et al., 2018; Bryan & Clegg, 2019). Case studies discussions are active learning and focused on the reasoning not just the answer; indeed, most case studies are complex, with no single right answer and are a valuable tool for probing and boosting in-classroom discussions (Martin-Rios et al., 2017; Scott, 2007). Case studies can also reflect scenarios, situations and challenges that students will experience in their professional careers (Ahmad et al., 2018; Martin-Rios et al., 2017; O'Mahony & Lo, 2020), and so, case studies can also be used for supporting role-play instructional methods. As an assessment method, case studies are ideal in reinforcing active, and constructivism learning approaches, as well as avoiding students' passive memorising learning approaches and students cheating. In this vein, case studies as a learning evaluation instrument are also ideal in blended or virtual educational contexts.

The learning benefits of case studies used in instruction are highly important and contemporary nowadays in order to satisfy the highly demanding student audience for more engaging, interesting and interactive pedagogical methods that go well beyond the simple transfer of theories found in textbooks. Students increasingly demand an education that is closer to the current industry reality and it can equip them with the necessary skills, knowledge and competencies to address the industry challenges that they will face in the industry marketplace. With an increasing number of students entering tourism, hospitality and events education that do not also have any previous experience and/or exposure to the industry, case study based educational practices can better help them understand and liaise with the industry.

Yet despite their advantages, there are barriers to the use of case studies, not least the time required to develop them (Penn et al., 2016) or the difficulty in accessing relevant and discipline-specific materials.

Book Content and Structure: How to Use the Case Studies

The book includes 25 cases that have been grouped into five themes: customer experiences (Part II), business operations (Part III), technology (Part IV), strategy and marketing (Part V), and destinations (Part VI).

Given its origins, it is perhaps not surprising that Australia dominates as the location of the majority of the case studies in this collection. However, we were pleased to receive submissions from across the globe, and the book also contains case studies of businesses and destinations from all continents including countries such as Canada, Greece, India, Japan, Mexico, Nepal, Portugal, Spain, and Turkey. Hotels and resorts are strongly represented, but case studies also include airlines, events and venues, restaurants and a range of destinations. The case studies also represent various disciplinary fields of study including marketing, finance, operations, human resources, technology and strategic management. Although we have categorised case studies within specific disciplinary domains, it should be emphasised that all case studies are multi-disciplinary as they explore and analyse issues that address various disciplinary concepts, models and ideas. Thus, the categorisation of a case study in the specific domain in this book should not be considered as restrictive for the type of courses that it can be used. Instead, readers are advised to read the abstract and learning objectives of each case study as well, in order to better determine if a case study can be fitted into their instruction and for what courses and pedagogical purposes.

The cases have been developed by educators who are advocates of case-based teaching approaches. Together the cases combine field-based research (for example, interviews, surveys and observations) and desk-based research (including critical analysis of company data, industry reports, and internet-based resources). Most cases are real businesses and destinations, however, in some instances, the authors have fictionalised their case to maintain commercial confidentiality or enable the features of several businesses to be represented by one organisation. Cases have largely been developed in collaboration with the case study organisation, indeed two (Chapters 16 and 17) have been co-authored by professionals within the focus business. Many case studies also enriched and supplemented with additional reading and access to multimedia content (e.g. photos, online videos and resources) so that students and scholars can be probed and guided to search and learn more about the studied subject as well as the contemporary developments in this field.

Each chapter is presented in two parts: first, the case study which can be provided to students as preparatory reading; secondly a teaching note accompanying each case.

Case studies are relatively short (around 5000 words) so, that scholars can also use them for in-classroom reading and instruction. Although there is some diversion in terms of the structure of each case, all cases include the following fundamental information:

- Abstract and keywords
- Learning aims
- Case study background

- Theoretical underpinnings to help case study understanding
- Business dilemma and/or students' questions
- References and Additional Learning Material

Each case study is accompanied by a teaching note providing instructions to scholars on how to use the case study for educational purposes. Teaching notes are short (around 1000 words) and include the following useful information for instructors:

- Case summary
- Teaching and learning objectives
- Target audience
- Teaching approach and strategy: sample/indicative answers
- Additional reading and references

Due to the nature of the case studies, the book is equally beneficial to instructors and researchers. The case studies are multi-disciplinary and represent various types of case based research (i.e. interviews, surveys, observations, desk-based research). Hence, the case studies are useful to scholars teaching and researching various disciplines. Although the cases focus on tourism, hospitality and events, their development and writing are expected to be beneficial to scholars researching and teaching in many other sectors specifically from the service industries. The book is specifically recommended to young scholars who are entering and/or are looking for ways to supplement and enrich their instructional and research methods.

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It has been our great pleasure to work on this project and with all its contributors who have already expressed their gratitude and a better appreciation of the benefits of case studies as a research and pedagogical method. They have definitely benefited by undertaking case study research and writing the case studies. We also hope that you will also find the case studies equally useful and valuable to your scholarly activities, and we are looking forward to working with you on your case study in one of our future projects.

We wish you happy reading, and we are looking forward to hearing from you, should you have any ideas on how we can further improve.

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Part II

Experiences

We start the book with **Part II**, which focuses on the customer – the tourist, visitor or guest. All five cases investigate aspects of their experiences.

First, in **Chapter 2**, Marianna Sigala investigates the servicescape design of The d’Arenberg Cube (a cellar door in McLaren Vale, South Australia) and its impacts on the visitors’ experience. The case study brings together theory and practice related to servicescape design, art in business and transformative service research in order to show how theory and practice have evolved in assisting companies to design and deliver the third generation of reflective, multi-sensorial and transformative service experiences that can provide a variety of experiential benefits (hedonic, sensorial, functional, emotional, psychological and spiritual).

In **Chapter 3** Anita Manfreda and Justin King investigate co-creation and the staging and management of guest experiences through a day in the life of hosts and guests at Saffire Freycinet, a luxury lodge in Tasmania, Australia.

Designing, delivering and co-creating memorable experiences are also the focus of Anastasia

Yeark and John Powers’ **Chapter 4** on the Skylighter Fireworx experience in Brisbane, Australia. The chapter also incorporates stakeholder management issues and the challenges associated with the impact of natural disasters, in this case bushfires, on the Skylighter Fireworx business.

Chapter 5 by Eileen Aitken-Fox investigates cross-cultural issues using a hypothetical case study of the George Hotel in Perth, Western Australia, part of a multinational luxury hotel group. The case explores human resource management strategies in a cross-cultural and virtual team environment, set against a backdrop of a declining market. External challenges also feature in

Chapter 6 where Sandra Cherro Osorio, Ana Delevska and Peter Matheis consider the impact of COVID-19 on the business models of high-end restaurants across the world. The chapter uses the Business Model Canvas to strategize the future of the high-end dining experience.

Chapter 2

Designing Servicescape and Experience with Art: Learnings from *The d'Arenberg Cube, Australia*



Marianna Sigala

Abstract This case discusses the design principles and the role of servicescape in experience management by drawing on the example of the d'Arenberg Cube, an iconic cellar door that set new industry standards and competitively positioned its wine brand and wine region on the world tourism map. The case also explains the use of art for business purposes by showing how the Cube has embedded art into its servicescape and experience design. The case highlights that by synergising art, wine and tourism, the d'Arenberg Cube has managed to create the living culture and experiences of its servicescape that are hard to be replicated by competitors. In this vein, the case highlights that the technical/architectural features of iconic buildings and brandhomes can provide a comparative advantage, but it is the lived and living experiences enabled within and afforded by their servicescapes that provide them a competitive and inimitable advantage. The case also provides evidence of the impact of servicescape elements and design on the customers' engagement and well-being (psychological, social, behavioural, emotional and spiritual/transformational). As the competition intensifies, the customers' profile, needs and expectations change and the tourism industry reforms, the case study challenges and requires the students to think how the Cube needs to update and upgrade its servicescape design and experiences to face but also re-shape the next new normal.

Keywords Servicescape · Wine tourism · Experience · Design · Cellar door · Service quality · Hospitality · Operations · Art · Transformational experiences

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Introduction

The d'Arenberg Cube is an iconic building and cellar door with a bizarre architectural design, a highly artistic and biophilic servicescape. This is an exemplar case providing practical evidence and learnings about contemporary issues of servicescape and experience design as well as their implications for customer management. The case also contributes to the limited literature (Sigala, 2019a) discussing the use of art for business purposes by showing how art can be embedded in servicescape design for delivering appealing experiences. Finally, by positioning McLaren Vale (a wine region in South Australia) and D' Arenberg in the international (wine) tourism map, the case is an empirical evidence showing how to use iconic buildings for developing, (re)-positioning and promoting tourism destinations.

The d'Arenberg Cube earned its reputation and appeal for how it embeds art within its servicescape and experience design. By synergising art, culture, wine and tourism, its servicescape has been the instrument for delivering numerous multi-sensorial experiences. The success of The Cube is usually attributed to two factors: the distinctive nature and role of its servicescape design on customer experiences; and Chester Osborn (the fourth-generation winemaker and entrepreneur inspiring and undertaking this 1Billion Australian Dollar financial challenge) who has become part of the brand identity and presents himself as an eccentric art and wine lover. However, underneath the surface, Osborn is a canny businessman.

Since its opening in December 2017, the cellar door has been attracting more than 1500 daily visitors, reinforcing the winery brand image and performance and generating multiplier impacts to the surrounding businesses and destination. The building quickly reached its carrying capacity posing operational challenges. Some servicescape elements were also required to change, as authorities found them as safety hazards. Osborn has also realised that without renovating the building in order to update its experiential offering and appeal, the cellar door cannot sustain (re)-visitation and customer satisfaction. His challenge is how to maintain the servicescape contemporary and alive, while simultaneously addressing the changing visitors' demographics and expectations. The booming Chinese market is very appealing, as it has the highest spending per visitor. However, the current servicescape cannot accommodate a mixture of guests with different and sometimes conflicting expectations, cultural preferences and behaviours. The Chinese market is mainly driven by brand image, luxury experiences and retailing opportunities, while western guests seek interactive, mind triggering and inspiring wine experiences. In addition, due to the recent COVID-19 situation, servicescape design and use have to comply with operating restrictions and standards relating to capacity use, social distancing and hygiene/cleaning. At the same time, Osborn also has to address the lack of overseas (Chinese) visitors and the increased demand from domestic/local visitors. Making long-term plans and commitments also entail high risk, as it is still unknown and too early to predict what the next new normal in the (wine) tourism market is going to be.

To respond, Osborn knows that he needs to review existing practices for understanding: what and why servicescape elements have (not) worked so far, and what needs updating? What servicescape design elements positively or negatively have impacted guests' experience? How different visitors perceive, assess and react to the various servicescape design elements? What servicescape design and management techniques can be used for accommodating different guests' expectations and behaviours and for allowing harmonious guests co-presence? How is COVID-19 changing customers' expectations and perceptions of crowding and social presence in spaces, and what does this mean for servicescape design and experience management?

Two rooms on the first floor were recently closed for re-development. The d'Arenberg Cube has set very high standards, and any future intervention will have to meet but also exceed the guests' expectations and imagination. Although Osborn has many ideas, he has not decided yet what, how and why to implement. But decisions and actions must be taken very fast, before customers get upset and walk to competitors due to renovation disruptions. Plans for the post COVID-19 period also need to be developed soon, while everyone is hibernating and/or dreaming for the next new normal. Osborn sees COVID-19 not just a crisis but as a transformation change agent and opportunity for reforming and resetting new industry standards. Osborn wants to exploit the COVID-19 imposed slow down to reflect, rethink and get ready for the future.

Background: The d'Arenberg Cube Is Not Just a "Building"

The d'Arenberg Cube is a glass-encased steel and concrete structure that sits five storeys high in the middle of a vineyard. But the d'Arenberg Cube is more than a cellar door building. It is a multi-purpose creative space with an intelligently designed and utilized servicescape shaped as a Rubik's Cube. Its implementation took 14 years, as it had to overcome many economic and construction challenges (Osborn, 2018). In 2018, it received a Good Design Award (Australia's most prestigious design awards since 1958) in recognition for outstanding design and innovation.

The d'Arenberg Cube is an ideal example showing how an iconic building can develop, activate and position a destination. Its creative design and wine experiences are generating and driving publicity, visitation and economic activity to the (wine) region and all surrounding businesses, placing them quite competitively on the international wine destination map. Construction created more than 150 local jobs; with over 180 employees supporting production, marketing and retail operations, the d'Arenberg Cube also represents the largest regional employer. For many, it is the equivalent of Hobart's MONA in South Australia, justifying the \$2 million grant received by the State Government. The winery owned by the Osborns has been operating as a family business for four generations, but the d'Arenberg Cube is a \$16 million investment in the future.

Osborn asked rhetorically in a presentation, ‘*Why spend \$16 m on a cellar door? One thousand people per day have visited the d’Arenberg Cube since it was opened: that’s why*’ (Osborn, 2018).

The d’Arenberg Cube has become renowned for its gastronomy, its public art on the grounds and interior of the building, the presentation of the winery’s history, its servicescape enabling multi-sensorial experiences. Visitors have a total experience, which is immersive, aesthetic, and experiential, and includes a mix of wine, cuisine, art, scenery and outdoor activities with public art, vineyards and walks.

Osborn (2018) stated, ‘*Get your senses alive on your journey: smell, sight, taste. Everything tastes better than it really is. People get that feeling of authenticity.*’

For Osborn, buildings can physically make a destination, but it is the culture that brings destination into life. He understood that wine, art and tourism combined present the visitor with a sensory cornucopia that heightens the experience. Osborn created a servicescape that creatively synergises art, wine and tourism for linking the Cube with the socio-cultural fabric and lifestyle of the local communities and converting it into an experiential platform enabling various experiences including: commercialised mass production experiences (e.g. wine tastings, wine and food pairing masterclasses) that trigger senses and hedonic benefits; cocreation experiences (e.g. make your own wine blend, cooking classes) enabling visitors to develop their knowledge, skills, and creativity; and transformational experiences (e.g. the Cubist Ball) that uplift the visitors’ (psychological, emotional and social) well-being and inspires them to challenge their assumptions and values.

Servicescape Design: Theory and Practice at the d’Arenberg Cube

Servicescape, the place where people experience services, is defined as ‘*the dimensions of physical surroundings [of a service business] ...that can be controlled by the firm to enhance (or constrain) employee and customer actions*’ (Bitner, 1992: 59). Servicescape includes three environment dimensions within the internal and external environment of a firm:

- ambient conditions (e.g. temperature, music, odour/scent, colours);
- spatial layout and functionality (e.g. equipment, furnishing and the way these objects are arranged within the space) within the property but also externally (e.g. gardens, facades, parking facilities and accessibility, interior designs and floor accessibility);
- signs, symbols and artefacts (e.g. style of décor, signs to direct flow or behaviour of customers).

Servicescape also includes safety elements (Siguaw et al. 2019) and social stimuli arising from the presence of social events and interactions among consumers with other stakeholders (e.g. employees, customers) (Sheng et al., 2017;

Rosenbaum et al., 2016). Consequently, the literature talks about the social service-escape and its impacts on customers' experiences and interactions with staff and other customers.

Servicescape elements stimulate people's emotions, feelings and minds, which in turn critically influence what they see, how they see and interpret it. Increasingly, natural elements and processes (e.g. natural light, air, water, plants, natural materials, colours, geometry and biomimicry) are added within servicescapes to follow a biophilic servicescape design, as the latter has important restorative (socio-psychological) impacts on people's well-being (Gillis & Gatersleben 2015).

'Chester was incredibly passionate about the sensory experiences inside... he wanted the d'Arenberg Cube to be a feast for all the senses, not just the eyes' (Sarah Construction, 2018). Hence, the Cube's servicescape was purposefully designed to elicit the visitors' senses in order to: (physically, cognitively, emotionally and spiritually) engage them with the wine experiences; enable them to better appreciate the aesthetic and hedonic values of the wine; and get inspired and re-imagine how the wine can influence their own and others' well-being. To achieve that, Osborn has not only effectively applied the servicescape principles, but he has also excelled in embedding and synergising art and servicescape that enables transformational wine experiences generating both customer and business value. As a result, the d'Arenberg Cube is a culturally rich, engaging and inspiring servicescape that has been converted into an appealing attraction driving new tourists to the cellar door, who may not otherwise have visited a winery. It now attracts a variety of no-wine visitors including art lovers, foodies, families, corporate meetings, functions and other events. This innovative case significantly contributes to the limited literature debating the role of art-based initiatives in business and experience design, as well as it provides preliminary evidence about the latter's impact on transformational learning and benefits (Sigala, 2019a).

The d'Arenberg Cube's servicescape represents a well-executed project designed to serve its functionalistic, affective, emotional/experiential and symbolic effects. It offers avant-garde architecture and stunning interiors filled with art on the walls, countertops and ceilings, public art pieces in the outdoors as well as indoors, and floor-to-ceiling windows that bring the outside inside, revealing the vineyards, the hills behind, and beyond to the ocean. The visitor is encouraged to interact with the exhibits rather than reverentially view them from afar as in the museum as temple. Visitors climb on the public art; take photos of themselves engaging with it; and see themselves in the space as part of the exhibits. It is interactive rather than contemplative. There are discernible differences between art and commerce, but the d'Arenberg Cube straddles the divide, providing a spectacular backdrop in which visitors position themselves as actors.

External Design and Surrounding Areas

The d'Arenberg Cube is a unique five-storey Rubik's cube shape (d'Arenberg Media Library, 2020). Osborn (2018) inspired its architectural design to symbolise the complexities and puzzles of wine and winemaking:

I've always considered winemaking to be a puzzle that needs to be put together, a complex combination of geographical elements like soil and geology, viticulture, blending and balance. This building is yet another puzzle to solve, the external patterns join together for a seamless solution, and ideally, all elements of wine should do the same. The names of our wines are also a puzzle to work out.

According to shape symbolism literature (which combines aesthetics, psychology and marketing), people often associate shapes with meanings. For example, circular shapes convey friendliness, softness, and harmony (i.e. warmth characteristics), whereas angular shapes signal strength, hardness, and individuality (i.e. competences features) (Liu et al., 2018). The straight and sharp lines of the building aim to activate and shape the consumers' associations of the d'Arenberg brand and personality with values such as authority, strength, unique personality, and leading performance.

The puzzle shaped building is four modules wide, four high and four deep, with a base creating an optical illusion that makes the building appear as if it is floating above the vineyard it resides in. The exterior is covered with white and bottle green glass, which reflects the blues and greens of the surrounding countryside filled with blue sky and lush vineyard. The top two floors, housing a restaurant and the tasting room, are turned askew from the rest of the building and in opposite orientation, rotated on their axis, with each floor offering 360 degree views of the region. As the only high-storey building in the region, it provides spectacular views of rolling hills and surrounding vineyards that can be seen at a distance through balconies situated on the top levels. The tasting room has a glass rooftop allowing plenty of natural light within; this further enhances the biophilic building design as, the guests can experience wine by immersing themselves into the surrounding vineyard from all sides (vineyard views) and the top (sky views).

There is ample parking space within close proximity to the d'Arenberg Cube, which facilitates visitors' accessibility and convenience. The car parking area is well elaborated allowing immerse greenspace to the premises, with well-maintained grounds and attractive line of vines.

The original stables (built circa 1880), located close to the building, were faithfully restored by the Osborn family (2008) to be used as an interpretive centre. However, when masterclasses and other experiences moved inside the d'Arenberg Cube, the Stables were converted into an antique wine store and wine collection point, so that visitors buy wine at the cellar door, conveniently pick it up at the Stables and carry it to the car parks located next to the Stables. Consequently, visitors' experience and staff operations do not get disturbed by retail logistics within the d'Arenberg Cube.

Overall, the unique architecture, combined with other exterior elements have facilitated the harmony with the local landscape, yet complement the d'Arenberg brand's image as being 'different' and 'premium.'

Interior Design: Ambience, Functionality and Décor of the Interior Space

The emblematic building shape symbolises and communicates the d'Arenberg brand, as well as it encapsulates the essence of d'Arenberg by creating a unique space structure and functionality whereby visitors can be stimulated into various experiences to learn about the art of winemaking and the family history. As a multi-functional centre, each floor was purposefully designed to perform different functions, while floors harmoniously complement each other for providing a holistic visitor experience.

The entrance to the d'Arenberg Cube is quite visible with a vine-line pathway leading to a minimal reception area with no waiting area. To enter the building's floors, visitors go through the Alternate Realities Museum. The latter was purposefully located within the building's ground floor, because it was designed to include triggers that can entice and excite the visitors' senses and so, get them ready to experience the food and wine in the higher floors. The first floor is dedicated to the restrooms and the in-house kitchen with small conference space. The second floor caters private wine experience for groups, the third floor features a fine-dining restaurant, the cellar door is on the top fourth level.

Entry into the d'Arenberg Cube costs \$15 per person (\$5 redeemable with wine purchases), including a self-guided tour of the Alternate Realities Museum and a complimentary wine tasting at the cellar door.

The Alternate Realities Museum is a contemporary art museum (the first of its kind in McLaren Vale) with a self-guided tour via a free smartphone application. The museum's artworks and activities aim to immerse the visitor into the art of winemaking and the winemakers' family history. By firstly 'educating' the visitors into the wine culture, winemaking and production, the museum significantly prepares the visitors' mind and palate to better appreciate the value of the wine that they are going to experience. The museum includes the following sensorial and experiential triggers:

- the 'Flowers and Fruit' room covered floor-to-ceiling with artificial fruits and flowers. The visitors can smell different wine flavour notes from glass vessels to develop their palate
- a 360-degree cinema room surrounded by a curved screen that transports visitors to a place one can only imagine as Osborn's mind. The displays were crazy, designed to attract attention and stimulate the mind. For example: visions of the world filled with cubes (to showcase the experience of being inside the winemaking process); Osborn presented as the man on the moon

- four virtual submerge cap fermenters showcasing how wine is fermented
- a black room with thousands of VHS videotapes and many other personal items pertaining to the winemaking family
- a painting gallery stimulating the guests' colour palate and imagination

The interior design of the fine-dining restaurant incorporated elements such as an eclectic mix of décor and pieces of art, high ceilings, white walls, and large windows (d'Arenberg Media Library, 2020). The spatial layout encouraged guests to move around and interact among themselves and with employees, while still providing the element of privacy. The restaurant consisted of brightly coloured furniture, tables crafted from old oak barrels, whimsical touches, paintings and artefacts, and tribal pieces collected during travels in Africa, New Guinea and the South Pacific (Sarah Construction, 2018). The restaurant ceiling featured a bicycle turned upside down triggering people's curiosity and making them rethink about the utility of objects and spaces.

Located on the top floor, the cellar door shared a similar design as the restaurant in terms of the high ceiling, white walls, large glass windows, brightly coloured furniture and spatial layout (d'Arenberg Media Library, 2020). There were two bars and tasting areas offering sensational views to host a large number of guests (up to 300 people capacity). Hundreds of TV screens embedded around the bar counters featured an interactive visual of a naked woman swimming through a misty fog. The circular bar setting enhanced the operational performance by allowing service staff to have visual contact all around and cover each other in busy times, thereby increasing customer service, satisfaction and performance.

Special Ambient Conditions

Scents

The ground floor of the building has a fruit and flower wall with glass vessels enabling guests to develop their palates after smelling the different wine flavour notes. This activity engaged the sense of smell and achieved sensory arousal contributing further to the overall wine experience.

The Musicscape

Musicscape (Oakes, 2000) highlights the impact of musical variables on customers' mind, feelings and behaviour. The soft slow-tempo background music played in the restaurant and the cellar door significantly helped to create a relaxing and pleasant ambience.

The walkway leading into the d'Arenberg Cube was lined with speakers that feed music from sensors amongst the vines. The sensors read the weather and produced

noises depending on the weather conditions (e.g. when the sun is shining, the speakers produced sounds representing sunniness, and there were also sounds for cloudy and rainy weather). The customers were met with these unique noises while walking up the entrance, immediately providing a platform that engaged their senses and prepared them for a fully immersive and multi-sensorial experience. Hence, by transferring the vine's music from the vineyards in the Cube, the entrance walkway speakers nicely integrated and connected the buildings' exterior and surroundings with its interior spaces giving the impression to the guests of being within the nature. Ironically, Osborn claimed that the music was not for the visitors, "... *but for the vines so that when they hear the sunny music, they know to be happy*" (Jamie, 2017).

Visuals: Cartoons and Lighting

The interior featured white walls, high ceilings and large windows allowing natural light to stream into the building. The natural illumination created the illusion of space and showed colours off better, especially the contrasts of the brightly coloured furniture. Sufficient and appropriate lighting was also important for the cube-shaped building, as the lighting levels of a building influence the customers' judgements and perceptions regarding their safety and enclosure effect (Siguaw et al., 2019). Lighting type and composition also added onto the visual richness of the servicescape.

Cartoons and caricatures were displayed everywhere within the d'Arenberg Cube, including the staircases, the museum, and even the toilets (which were actually the most-visited area of the building, also attracting social media interest). Humour stimulates and inspires the mind (Sigala, 2019a). Cartooning is a useful educational and business tool (Dunphy, 2016). The cartoons within the d'Arenberg Cube got the visitors' attention and added to the fun element of the experience. Cartoons showcased good and bad human behaviours, frequently related to wine and even the winemakers, in a humouristic and satirising way. Comic art was used for depicting, illustrating, skewering or even satirising various social practices and business operations, which in turn triggered visitors to rethink their values, perceptions, mindsets and behaviours. Hence, cartooning can be innovative and transformational, as it triggered the visitors to re-examine their values and behaviours relating to winemaking, culture and drinking.

Overall, the d'Arenberg Cube servicescape included complexity of elements elegantly brought together to create a multi-sensorial and immersive experience into the wine culture. The colours, noises, the artworks, décor, cartoons, and the lighting are some of the most distinguished ambient features used to stimulate the visitors' senses, inspire their mind, and gladdens their hearts. Moreover, it purposefully included biophilic elements (e.g. green decorations, natural light, colours and materials, simulations of natural air and noise, glass windows connecting its interior with the vineyards and the landscape) to enable its visitors to re-connect with and

immerse themselves within the nature and leave them with significant restoring, relaxation and well-being effects.

Embedding Art into Servicescape Design for Designing Experiences

Both creative and experiential, the d’Arenberg Cube is not just a functioning centre of McLaren Vale hospitality, but importantly a work of art. Art is at the heart of the d’Arenberg Cube conceptualisation: art is embedded and used in designing and shaping any experience, while experience design becomes a piece of artwork in its own right. Osborn was clear from the start about how the d’Arenberg Cube should make visitors feel. ‘*Life is lived at the edges.... art is the sugar and spice and all the things that make life really interesting*’ (Sarah Construction, 2018). This is exactly how Osborn envisaged it: ‘*If you’re not involved in artistic expression, then you’re really just coasting along in life*’ (Sarah Construction, 2018).

The Cube offers numerous examples showing how art and wine were infused and synergised together for delivering customer experiential benefits and business value. The examples cover all the four possible approaches (Sigala, 2019a) for embedding art into experience design. The art-based experiences also appeal to two segments (the wine and art lovers), since they represent examples of both the artification of wine and the vinification of art (embeddedness of art in every wine element).

Art to Be Consumed

Art is used as an object to be embedded into servicescapes for enriching experiential and aesthetic values and the subsequent business benefits deriving from the former (e.g. increased visitor spending/satisfaction, positive brand images). Examples from the d’Arenberg Cube include:

- art decorating the servicescape with permanent artworks or temporary installations: e.g. the Dali exhibition on the second floor (<https://www.darenberg.com.au/dali-atdarenberg>, 2019 and 2020) or the ARTPark exhibition of 30 outdoor sculptures sprawled across the property in 2018
- art inserted into wine experience components (e.g. for decoration, glassware, tableware, wine labelling)

Art to Be Commoditised

Based on this approach, there are two ways to embed art into servicescape design. Art can be turned into a commodity to be bought as an experience memorabilia. Secondly, experience related artifacts and infrastructure can be turned into art and

cultural heritage and then, commoditised for consumption and/or merchandising. Visitors get a tangible evidence to remember their experience and/or generate word-of-mouth, while businesses and artists get some extra revenue and attention.

The commoditisation of art was omnipresent in the artistic decoration of the d'Arenberg Cube. The property was also the eventscape for artists to exhibit, sell and promote their artwork and to perform (e.g. concerts).

Several elements of the d'Arenberg Cube experience have become art and cultural heritage in their own right and are commodified for consumption:

- the artistic building itself that has attracted numerous sightseers, photographers and online buzz and content
- family possessions (e.g. computers, toys, books, music players, phones) were exhibited within the Alternate Realities Museum and converted into heritage artefacts by using two mechanisms (Sigala, 2019b): narrating them with stories about the family life and intergeneration events to provide them the features of history, age, and timelessness (e.g. in the mobile app, Osborn talked about the story of the objects and their relation to family events); and relating them with the local community in order to create a social identity similarly to what traditional heritage items do. The museum did not only present the history of the brand, but also its past, in conjunction with its present and future (e.g. in the 3D video, Osborn talks about his dreams and visions). By presenting the past, opening the present and even the future of the brand, the brand was no longer treated as an ordinary object to the deterioration of time, but it became timeless and was heritagised.

In addition, the d'Arenberg Cube experiences themselves also reflected the artification, packaging and commoditisation of experience design:

- various interactive, social and educational experiences (cooking, winemaking and tasting masterclasses) taught guests: how to smell, taste, and identify classic grape varieties; discover the difference between aromatic and textural white wine; build their wine vocabulary (e.g. learning how to describe reds using words like mouthfeel, body and tannin)
- the luxury dining experience (a la carte or eight course degustation with wine pairing) exemplified the culinary art to its highest degree that challenges convention. Guests were encouraged to come with an open mind and leave all preconceived expectations. The menu was not based on any particular cuisine, but draw upon eclectic experiences from different world regions. There was no particular food style; instead, the cooking style for a particular product was based purely upon how to best extract and represent its flavour.

Art to Be Co-created

Winemaking and other wine related activities were turned into an art making/creative process, whereby the customers were empowered to actively co-create their experiences. By cocreating, the guests did not only get emotional, hedonic and social benefits, but they were also empowered to satisfy self-developmental and self-actualisation needs that uplifted their wellbeing. The d'Arenberg Cube made the art of winemaking available to be experienced by everyone. For example, in the Blending Bench experience, the guests become winemakers by blending and bottling their own wine. With experts' guidance and/or peer's company, a palette of wine parcels (each with distinctive flavours and textures) were melded in search of balance, fullness, complexity, interest and finesse.

Art as a Catalyst of Transformative Value

Art is used to stimulate people's thinking, to inspire and elicit the mind, to think differently and see things differently. By transforming people's minds, values, lifestyle and philosophy, art-based experiences go beyond the satisfaction and uplifting of existing aesthetic and cognitive needs; they contribute to well-being betterment. Art has been used as a catalyst of transformational experiences in wine tourism (Sigala, 2019b) and leisure (Alford, 2019). The d'Arenberg Cube has hosted and organised several art-based events that converted its servicescape to a highly participatory, inspirational and mind triggering eventscape in which the guests could obtain transformational benefits. One such event was the Cubist Ball that was inspired by the abstract art movement called Cubism, according to which artists break up objects to reassemble and redesign them in semi-abstract forms (Marryat, 2018). In a similar vein, the participants of the Cubist Ball (Sigala & Rentschler, 2019) were required to be dressed up as painters and/or paintings (e.g., Pablo Picasso, Salvador Dali, Georges Braque, Marc Duchamp). This triggered the guests' imagination to creatively think how to represent and interpret an artist's work. The guests came up with interesting cubist dresses and faces painted in cubist designs, which re-created artwork in appropriate or different ways/formats from those that the artists wanted to symbolise. By selecting artwork that best expressed their personality and values, the guests also used their re-created artwork as a theme of discussion with other participants. The Cubist Ball is one example of how the Cube is using art for organising an event and designing an eventscape that are highly immersive, social, inspiring and transformational.

Managing Servicescapes: Challenges for the d'Arenberg Cube

The literature has identified numerous factors that may constrain servicescape design and management (e.g. Mari & Poggesi, 2013): space; building and environmental regulations; ethics, morals, religion and other cultural factors; funds availability; capabilities and availability of construction technologies, tools, materials and equipment; physical and natural environment factors (i.e. weather conditions, earthquake activity); regulations and risks; people's perceptions about security, safety and hygiene issues. As any business, the Cube operates within a dynamically changing context, and so, managing its servicescape and keeping it abreast of environmental and market changes is non-ending challenging task.

Construction Limitations and Regulations

Biophilic design is at the heart of the d'Arenberg Cube, but it has not always been technically or legally possible to implement. The glass rooftop adds to the building's biophilia, but it affects its ecological sustainability. To meet energy saving regulations in a technically feasible way, 16 umbrellas were designed to provide the clear glass roof with shade during the hot season. The umbrellas are a lightweight material that the construction can hold, and they fitted with the Osborn's weird and funny style and the whole building concept. *'Due to building regulations, no more than 5% skylight is permitted, and so needed to meet regulations, while also having a bit of fun, in true d'Arenberg style'* (<http://www.glamelaide.com.au/darenbergcube-unveils-latest-rooftop-feature/>). The umbrellas opened when the solar heat gain puts pressure on the internal air conditioning. They were manually operated to expand and retract and could also withstand winds of up to 130 km per hour. This was the first time ever a building has umbrellas (and not a top deck or grassed area) to shade itself.

Authorities found the plastic grass and flower decoration around the toilets and in the 'Flowers and Fruit' room as inflammable objects and dangerous in fire situations. Because of safety regulations, these installations were taken out, and the Flowers and Fruit room was closed for renovation. Osborn needs to quickly find another way to simulate nature and foster the biophilic sensations without compromising legislation. There are many types and forms of biophilic materials to select from (Gillis & Gatersleben, 2015), but which can fit with and be adapted to the Cube's design concept? Or should Osborn totally change the design and experiential purpose of the Flowers and Fruit room? And what new experience should the design of this room generate? An update of the building's experiences is also probably overdue, as the guests need a new 'reason' to re-visit the property.

Visitor Flow Management

The building's shape and construction allowed only one passenger elevator and staircase in the middle of the building to connect one floor with the other. The elevator and stairs are the focal point of the building for staff and customers. The lift and stairs are elegantly decorated with paintings and cartoons, to make their use entertaining and worthwhile. Indeed, by converting the stairs into an 'attraction' their usage was boosted and queues at the lift were eliminated. However, this also caused crowding and safety issues, since people were packing in stairs to take photos.

Building functionality was traded off for its aesthetic, which sometimes creates some visitor management issues such as limited capacity, long waiting time, and inconvenient flow of access. For example, cellar door visitors (top floor) must wait to take the lift to access the restroom (first floor). Service in the restaurant (third floor) was sometimes slow (kitchen located on the first floor). To respect the restaurant guests' privacy and meal experience, guests without dining reservations have entry restrictions; their access is limited to the public areas (the museum, restrooms, cellar door) and controlled through elevator use, but this increased the waiting time of high paying customers taking the lift to the restaurant floor. The problem is worsened when large groups of customers arrive and are crowded on the ground floor waiting to take the lift or pay the ticket to enter the building. Bus-tours and groups were asked to prebook their ticket and visitation time, but managing the crowds taking selfies and admiring the amazing building is still a major challenge. To unstress capacity utilisation, staff can prioritise lift operations for procurement logistics and VIP guests, events are shifted to no peak times when possible, but these measures are not enough.

To cater for the guests seeking privacy and personalised wine experiences, a room for private wine tasting or masterclass curated by an exclusive sommelier was created. This was located within the cellar door but separated through the glass from the rest of the tasting room in order to expand the guests' 'perceive visual' space and avoid feelings of isolation or imprisoning. Room bookings were popular by wine lovers who do not want to get mixed with the crowds visiting the building only for sightseeing.

However, despite taking the abovementioned actions aiming to manage the visitors' flow and experience by separating customer segments per time and space, some visitor flow issues still persist. Managing perceptions and impacts of a crowd is also very subjective, culturally determined and tricky. Osborn noticed that although the crowds are liked and 'expected' by the Chinese visitors (as crowds are part of their wine 'shopping' experience), they disturb the western visitors. The latter seek a nice and relaxing ambience to enjoy and appreciate the wine, as they see wine tourism as an important social and cultural ritual. For the Chinese, a "crowded" site represents an important place to visit, while crowding also influences their wine purchases.

Managing Customer Expectations and Mixology

The building attractiveness and its resulting online buzz drive an influx of Chinese visitors. The latter are very welcome and sought after, because of their high spending and numbers helping to reach the break-even point. However, the Chinese visitors' motivations are in general different and sometimes conflicting and incompatible with the motivations of conventional wine tourists. *xiao zi* represents a Western living style and behaviours (e.g. drinking wine, enjoying Western cuisines, visiting bars and coffee shops) that become very popular among the young Chinese since the 1990s due to the economic development and reforms in China (Shepherd, 2011). Wine drinking and tourism meet the *xiao zi* symbolic expectations, as wine consumption has an elitist image, and is recognised as a high social status behavior in Chinese culture (Somogyi et al., 2011). Hence, by visiting the d'Arenberg Cube, the Chinese can satisfy their psychological need for self-identity construction. But, for the.

Chinese it is more important to claim that they have been there rather than that they have 'experienced' the space. Wine drinking does not exist in the Chinese culture, but wine tourism has become a symbolic and conspicuous consumption for the Chinese. Hence, taking and posting selfies online, purchasing wine and other brand-related items are the most important experiential elements affecting the Chinese visitors' satisfaction. On the contrary, the traditional wine tourists are motivated and driven by motivations and expectations relating to their need to immerse themselves into and appreciate the winescapes, the wine and its culture. Serious wine lovers also demand and expect edutainment interactions allowing them to learn about the wine and actively engage with wine-related experiences. Overall, the Chinese expect and appreciate passive wine experiences relating to shopping, sightseeing and photo-taking of 'luxury' lifestyle behaviours. But the latter are perceived as "inappropriate" behaviours annoying the traditional wine tourists who visit the Cube for experiencing and using its servicescape with totally different motivations and expectations.

The art-empowered wine experiences have also attracted a greater variety of visitors, including wine lovers and art lovers in equal proportions. Although there are several cross-overs between these two segments, their differences also need to be addressed.

- They both tend to: be attracted by luxury, hedonic but also stimulating learning experiences; be highly educated, high-earning individuals with a quite high spending power and intention; and interested in magical places that they deem special and where they can learn. However, art lovers tend to spend more time at the Cube but less money on wine. To convert the visitation time of art lovers to business value, Osborn needs to come up with some art-based wine experiences that are market appealing but also business profitable.
- By integrating art into its servicescape, the d'Arenberg Cube facilitates the aesthetic and transformational experiences of the wine lovers and the art lovers. But what is aesthetically appealing and beautiful is subjectively determined. Do

these segments evaluate the Cube's aesthetic experiences similarly? Do they process and appreciate aesthetic experiences similarly? Do they evaluate art-objects in similar or different ways? What art-based servicescape elements best work to trigger the (different) aesthetic processes of these two segments? Osborn has no information about the wine experience aesthetics of these two segments in order to design art-based experiences that can effectively satisfy their needs. When designing art, one should think not only what stimuli make an artwork beautiful, but also what factors make people think this artwork is beautiful. Design involves not only aesthetic quality, but also aesthetic perception (Folkmann, 2010). Hence, as focus should be paid on the beauty of intangible (aesthetic objects) and the observer's feelings (aesthetic subjects) (Strannegård & Strannegård, 2012), Osborn needs both market intelligence and artistic knowledge for better designing its art-based experience.

Addressing the Next New Normal

The current COVID-19 situation has imposed several new restrictions and operating standards to hospitality venues and service operators affecting servicescape design and the management of customer experiences. Such regulations include: social distancing of customers and staff (e.g. distance between tables, provision of personal services); cleaning and hygiene protocols (e.g. time between table/service settings, cleaning procedures, hand sanitisers); customer and staff (mobility and contact) tracing (e.g. registration of customers at entry, staff monitoring before coming to work); type of experiences (e.g. no vertical consumption of wine, wine tasting is only allowed in table sitting settings); crowd management (e.g. management of customer queues, size of tour groups, events and experiences). Preliminary research (Sigala, 2020) argues that the prolonged period of use and exposure to new consumption patterns and experiences will create new customer perceptions, expectations and evaluation of service quality levels and standards. In addition, some of these temporary imposed changes in servicescape design and experiences may be here to stay not only as a legal requirement but also as a new expectation of the next consumer. However, although it is still too early to make any accurate future predictions, Osborn's ambition has always been to be the shaper rather than a follower of the future.

Servicescape Design and Human Behaviour

Numerous studies conducted within various service/tourism settings have investigated servicescape design and its (affective, cognitive and behavioural) impacts on consumers, employees and their interactions (Park et al., 2019). Tourism companies heavily use servicescape and art to enhance customer experiences (Sigala, 2019a;

Strannegård & Strannegård, 2012) and achieve competitive advantage, because people see servicescape as a physical expression of the brand (Mari & Poggese, 2013). Research associates servicescape effects with numerous consumer behavioural and perceptual impacts (Wakefield & Blodgett, 2016; Hui & Bateson, 1991): brand image, attachment and loyalty; price perceptions and willingness to pay; service quality, experience and satisfaction evaluations; time spending at consumer settings; sales and spending; (re)purchase, (re)visitation and recommendation intentions; willingness to buy (product-price valuations); consumer (mis)behaviour and interactions; perceptions and impacts of crowding.

Research also provides evidence of the influence of servicescape on consumers' co-creation engagement (Tumbat & Belk, 2013) and well-being (Sheng et al., 2017), which is rooted in: restorative servicescapes defined as any stimuli present in a firm allowing the customers to undergo an internal restorative process of mind or body (Rosenbaum et al., 2016); and biophilic design (Gillis & Gatersleben, 2015). Based on biophilia, human beings have a fundamental, genetically driven propensity to affiliate towards life and lifelike processes. Thus, natural elements in servicescape can stimulate positive effects on people's mind, emotions and body. Making servicescapes restorative is important, as many contemporary stressors deplete the consumers' mood states, which in turn can adversely affect their behaviour and the satisfaction that they can get from service settings. Customers are also found to be more responsive to restorative effects when seeking emotional/experiential value (e.g. wine tourism) than rational/functional value (Purani & Kumar, 2018). People also associate green servicescape with firms' sustainability strategy and image.

To achieve positive servicescape impacts, there should be a fit between the environmental cues, the service encounter and context, the company's brand personality and the profile of the target market segment (Mari & Poggese, 2013). For example, consumers' evaluations and impacts of servicescape differ depending on: customers' culture and nationality (Yuksel, 2004); business type and luxury level (Kim & Moon, 2009; Han & Ryu, 2009). Different people perceive and evaluate servicescape elements differently and the way consumers perceive the actions of service staff is coloured by the servicescape in which the service is delivered. The same person in a different consumption context/motivation may evaluate and react to the same servicescape differently.

For example, in general, crowding results in low experience satisfaction, but crowding may also result in positive consumer emotions (e.g. clubbing, shopping) as long as customers do not feel physically restricted (Li et al. 2009). Crowding may socialise people and improve experiences in hedonic settings (clubs), but it may also create a physical congestion, preclusion of privacy or movement restriction (Harrell et al., 1980; Mackintosh et al.). Customers' expectations, motivations, preferences, and culture, shape crowding perceptions and impacts: people with a collectivist culture respond to crowding more positively than those with individualistic cultures (Pons & Laroche, 2007); people perceive and evaluate servicescapes differently depending whether they go for social shopping or task completion, for social/celebratory or utilitarian dining (Wakefield & Blodgett, 2016).

Matching servicescape design with consumption context and market segment profile is a science and art; firms increasingly use established techniques (such as distancing market segments per time and/or space, avoidance and escape) with professional gut and trial & error.

Osborn has realised that understanding the customer experience is a fundamental starting point when managing the servicescape and thinking about renovations and upgrades. To that end, collecting data and customer feedback is paramount, but Osborn does not really know what customer insights are available and are further required. Hospitality and tourism firms have increasingly used geo-location data from mobile devices and user-generated-content to collect customer behavioural data and better understand customer expectations and experiences. Since its launch, Osborn noted more than 5000 downloads of the d'Arenberg mobile app. This is a good source of customer insight, but he does not know what data, how and why to use it (e.g. frequency and time usage of each app feature per visitor). Osborn does not also know how the mobile app influences his visitors' experience, their interaction with the servicescape and their understanding of the place. How does the mobile app usage interact with servicescape elements to influence the visitors' experience, emotions, behaviours (e.g. sociability, time and money spent at the Cube) and overall satisfaction? Which mobile app features work or not work in creating a meaningful but also socially interactive and not an individualistic visitor experience? Should the mobile app be abandoned or changed to allow the guests to better interact with the servicescape and other people? Do all the visitors use the mobile app in a similar way and should any app features be customised for different market segments?

Conclusions: Summarising the Business Dilemmas

Since its inception, the d'Arenberg Cube has set new industry standards and broken its own standards by continuously improving the conceptualisation and implementation of its servicescape. Servicescape design is a critical success factor in tourism, as it is a major part forming and influencing customer experiences, which are the *raison d'être* of (wine) tourism and they vitally contribute to building a brand image and competitive advantage for hospitality firms and destinations alike.

But it is about time that Osborn revisits the servicescape and experience offering of its business. Customers' expectations are changing fast, while customers also need new reasons to revisit. The servicescape interventions at the cellar door had also been attracting a greater variety of customers representing a variety of visitors beyond the traditional wine tourists. Customers differ not only on their motivations and expectations but also in their subjective evaluations of servicescapes. By driving business to nearby competitors, The Cube has also given a reason to nearby competitors to quickly update their infrastructures and services to catch-up with Osborn. Currently, the COVID-19 has imposed new operating standards reshaping a new competitive setting transforming customers and competitors alike. As the

operating context of the Cube is dynamically changing, Osborn is faced with new challenges and needs to respond to crucial business questions. Osborn needs to update its servicescape to address current challenges but also shape and invest in the future. Osborn should also identify the type of experiences that will position the business again at the competitive forefront and help it continue to exceed but also (re)form the customers' expectations. These customer experiences need to be decided, as they will in turn determine the servicescape interventions that need to happen for enabling the former. Osborn can rely on his creative and innovative thinking, but he also knows that he needs relevant data to better understand his customers and the ways in which their expectations and perceptions about the use, appreciation and evaluation of space are being shaped and changing. As data collection and analysis can be expensive and time consuming, Osborn also needs to identify the type of data and data sources that he can efficiently and timely use, as well as how to interpret them to enhance his decision-making.

A. Teaching Note

Case Summary

The Cube is an exemplar case showing how to (use art in order to) design and manage a servicescape to deliver appealing customer experiences and achieve competitive advantage. By having servicescape at the core of attention, the case illustrates how the Cube has used different servicescape design elements and techniques for creating a variety of experiences that uplift the people's mind, senses and body. The Cube has not only innovated to elevate wine tourism to a new height, but it also provides practical evidence to a limitedly researched topic relating to develop creative, appealing, mind triggering servicescapes and transformational experiences. The case highlights to the students the importance to migrate servicescape design from the heavy focus on space and atmospherics to the notion of place (the aura/meaning that people assign to space) and its social aspects, which critically help in delivering the customer experience, specifically as we move to the co-creation transformative experiences era. The case also helps the students understand that constructing an iconic building is not enough to create and/or competitively position a firm or destination. As an iconic construction, the d'Arenberg Cube building can be copied, but no one can replicate its living culture. In this vein, the case also shows the students how to integrate art in servicescape and experience design to create the living culture and lived experiences of a "building" that cannot be easily copied. Finally, the case study identifies the current operational, legal, consumer market and environmental challenges facing the Cube, and challenges students to engage in creative, innovative and future-forward thinking on how the entrepreneurs should upgrade its servicescape and experiences in order to respond but also set the next new normal.

Teaching and Learning Objectives

The case explains how tourism and hospitality companies can design and manage their servicescape to deliver appealing experiences and achieve a competitive advantage. Having worked through this case, students will be able to:

1. learn about the various elements that firms can use for designing servicescapes and understand their influence on people's behaviour and well-being (i.e. physical, social, emotional, psychological and spiritual) 2. explain how various servicescape design elements and techniques are used for influencing guests' experience quality, satisfaction and behaviour (e.g. spending, brand image) 3. understand and apply servicescape theory for designing various experiences ranging from mass consumed to transformational co-created experiences 4. critically debate the role and use of art and culture in servicescape design for generating business and customer value and for developing a "living" iconic building and a destination

Target Audience

The case study is relevant for courses focusing on: hospitality operations, destination management, services management, tourism/hospitality marketing, experience management and design. The case study raises numerous student questions and business dilemmas that assist students to develop skills and competencies at various cognitive domains and levels (Bloom, 1956). Hence, the case study is useful and adaptable to facilitate student learning at all levels of both undergraduate and post-graduate studies. Overall, the case study lends itself to help students:

- understand and apply theoretical concepts and models;
- analyse and evaluate the impact and implications of various management servicescape design and management decisions; and
- disentangle complex business problems from their root and causes and then, develop their innovative and creative skills for suggesting alternative solutions and scenarios to solve contemporary business problems and dilemmas.

The case study requires basic knowledge and understanding of concepts taught at introductory courses in hospitality and tourism management (e.g. experience, customer management, consumer needs, expectations and satisfaction, operations, destination management & development, co-creation and customer value).

Teaching Approach and Strategy

The case study can be used for in class-room instruction (e.g. students' discussions), as a course assignment (e.g. case study for writing a business report) as well as a final formal assessment (case study for exams). When using the case study for instructional purposes, it is recommended that the students' discussions and questions are sequenced in a way that follows the Bloom's (1956) taxonomy of cognitive domains and skills. In this vein, it is suggested that students are guided to understand the case study and answer questions/business dilemmas in the following sequence.

Suggested Questions and Indicative Answers

First, questions would need to probe students to *understand and apply concepts* related to servicescape design and experience management. Questions need to be designed so that they test students' ability to identify how theoretical concepts are applied (good and bad) in the provided business content. Questions that can be set at this level may include:

- what servicescape design elements and techniques can you identify in the Cube and how the company has implemented them? Provide examples to your answer: answers should provide examples of the following elements used at the Cube: ambient conditions; spatial layout and functionality; signs, symbols and artefacts; safety and customer management; biophilic and social servicescape design and elements
- what type of experiences does the Cube provide? what servicescape elements and how they facilitate the former experiences? Answers should identify and give examples of all types of experiences including: commercialised mass production experiences; cocreation experiences; and transformational experiences

Students can be directed to use the following sources to find additional practical evidence of servicescape design and experiences at the Cube:

- The d'Arenberg Media Library (2020). Retrieved 10 April 2020 from <https://www.dropbox.com/sh/ooh8fi35dszw3sa/AADMp9oMVJ4jtrAQP9lypghra?dl=0>
- The website of the Cube
- Photos and videos shared by customers on social media

At a second level, questions should try to develop and evaluate the students' skills and competencies related to analysis and evaluations. Indicative questions and answers can include:

- what servicescape elements and how they influence consumer behaviour and wellbeing? Provide examples from the Cube. Answers should provide examples of servicescape elements affecting all dimensions of consumer behaviour and

well-being, i.e. physical, emotional, psychological, social and spiritual/cognitive/transformational

- how can art influence consumer behaviour? How can businesses use art to generate business and customer value? Give examples from the Cube. Answers should identify the role of art to stimulate human senses and provide emotional and hedonic customer value but also the role of art in triggering people’s thinking and reflection and so, assisting people in generating transformative value. Types of business value that students can identify should relate to short term but also long term benefits such as: increased staying and spending of customers at the property; higher customer satisfaction; building brand equity and customer loyalty; achieving competitive advantage
- how can iconic buildings help businesses and/or destinations to (re)-position themselves competitively? What is the role of living art and culture? Provide examples from the Cube. Answers should debate the role of art to help consumers develop a self and a social identity that connects and bonds them together with the ‘building’ and its enclosures. It is the customer attachment to space rather than the space itself that provides companies with an advantage that others cannot imitate and replicate.

Students can get assistance in understanding the role of art in transformational experiences as well as the concept of transformational experiences as it is applied in attractions and cultural spaces by watching and understanding the following presentation:

Alford, K. (2019). Reflecting on transformational visitor experiences. Retrieved 10 September 2019 from <https://unisa.hosted.panopto.com/Panopto/Pages/Viewer.aspx?id=84367258-99f74732-a896-aa9b00520261>

At a third level, questions should aim to evaluate students’ ability to understand a problem, disentangle its dimensions and develop and select (evaluate) possible alternative solutions. To this end, questions may include the following:

- what are the current issues and challenges facing the Cube? How the latter affect its servicescape design and experiences?
- how should Osborn update its servicescape to address current challenges but also invest in the future?
- what type of experiences will position Osborn at the competitive forefront and help him continue to exceed but also (re)form customers’ expectations? What servicescape interventions can achieve the latter?

Answers should identify the multi-dimensionality, dynamic and continuously changing nature of the problems (i.e. economic, competitive, consumer changes, legal and operational). Students should be able to understand how these changes affect not only the day to day operations and servicescape design of the Cube but also its business model and customer value proposition. Students should also try to understand the charismatic and creative mind of the entrepreneur and the role that the latter has played in developing the Cube. Students’ answers should try to emulate the priorities, values and mindset of Osborn and try to suggest solutions that

match his aspirations and business goals. The following video presentation (Osborn, 2018) can help students to better understand and encapsulate Osborn's thinking and personality:

Osborn, C. (2018). The New Future Wine. Presentation at University of South Australia. 7 August 2018. Retrieved 10 September 2019 from <https://unisa.hosted.panopto.com/Panopto/Pages/Viewer.aspx?id=25cb6b15-9fb04ce6-9c83-a942005d0a9d>

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Chapter 3

A Day in the Life of Guest Experience Stagers: The Saffire Freycinet Experience



Anita Manfreda and Justin King

Abstract This case study illustrates a day in the life of hosts and guests at Saffire Freycinet, a luxury lodge in Tasmania, Australia. It highlights key aspects in the co-creation and management of high quality accommodation experiences in a luxury lodge. The case study allows students to reflect on and apply the concepts of guest experience, experience quality, staging, management and co-creation of luxury accommodation experiences.

Keywords Guest experience · Luxury lodge · Boutique accommodation · Service blueprint · Experience quality · Luxury accommodation · Co-creation

Introduction

Staging, co-creating and managing guest experiences is a business imperative for hoteliers (Gilmore & Pine, 2002). This case study allows future hospitality professionals to explore the guest experience from the perspective of both guests and hosts. Firstly, it encourages students to reflect on the complex and multidimensional concept of guest experience. Secondly, it allows students to analyse the guest journey holistically and the various operational levels embedded in each experience touch point. Thirdly, it provides a platform to understand how guests evaluate the quality of their experience. Lastly, the case study allows students to critically reflect

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on the crucial role operators have in staging, managing and co-creating quality experiences with their guests, and the challenges entrenched in this process.

Luxury hotel experiences are co-created through the input and participation of guests and hosts. Guests use their own set of personal characteristics (such as personality, level of sensitivity, travel experience, expectations) as a lens to perceive and evaluate their experience. Hosts stage and manage the conditions for experience consumption (Gilmore & Pine, 2002). These conditions refer to a carefully curated physical environment, which stimulate emotional reactions and behaviours in the guest, and the management of a personalised interaction between guests and staff (Harkison, 2018). This interactive process and the environment where experiences take place is also influenced by trip-related factors (e.g. purpose of the trip, travel party, weather conditions), which affect the guest's experience and increase the challenges for hosts to meet the guests' individual needs (Walls et al., 2011).

Central to luxury accommodation experiences is the concept of personalisation (Ariffin et al., 2018). Personalisation entails responding to guests' needs in a customised way. To do so, hosts need to encourage their guests to participate in the creation of their own accommodation experiences as co-creators (Harkison, 2018). This means encouraging guests to participate in the design of their experience, facilitating guests in sharing information, and using this information to personalise the guest stay in all its touchpoints (Harkison, 2018). Co-creation also enables guest to achieve learning and emotional-related experiences (fun, entertainment, surprise, immersion and escapism) which guests seek in their accommodation experiences (Alnawas & Hemsley-Brown, 2019) though their interaction with staff and other guests.

This analytic illustrative case study narrates the lived experience of two regular lodge guests, Charles and Karen, through the eyes of the staff working at the luxury lodge. The story is set at Saffire Freycinet (Fig. 3.1), a small, multi-awarded luxury lodge located at the gateway to Freycinet National Park in Tasmania. Since its opening in 2010, the 20-rooms luxury lodge has been renowned for its

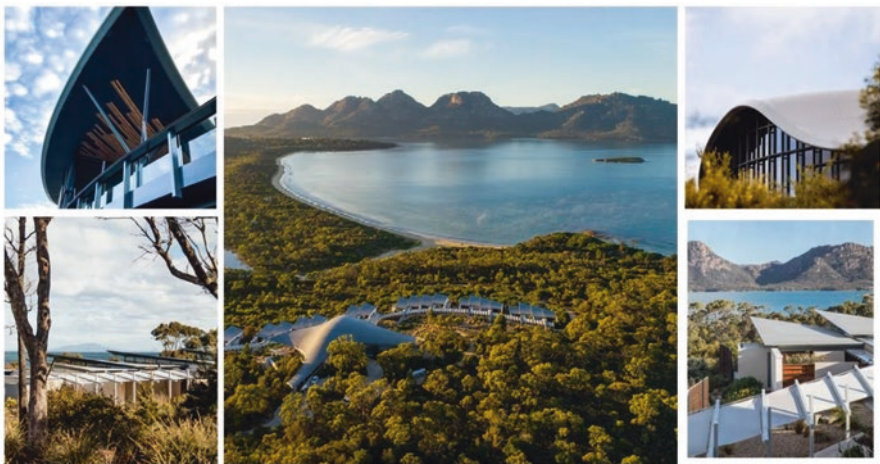


Fig. 3.1 Saffire Freycinet exterior

contemporary yet organic design, and the unique experiences connecting guests with the Tasmanian nature, culture and produce. Voted “*World’s Best Boutique Hotel*” and “*World’s Best Luxury Hotel*” in 2014, Saffire Freycinet strives every day, through the efforts of its staff, blessed by its unique location, to set the scene for memorable guest experiences. Jonathan, the General Manager of the property, and the staff at the lodge know, nonetheless, that behind the scenes, just like in a theatrical play (Hemmington, 2007), great effort and resources must be employed to create memorable experiences for their guests. This process is not always easy, and it requires staff to understand how guests perceive and evaluate their experience, what factors influence these experiences and how to personalise and co-create experiences that engage each guest in an inherently personal way (Harkison, 2018).

The Saffire Freycinet Experience: Instructions and Case Study

Throughout the story narrative, students are encouraged to explore all the elements shaping the Saffire Freycinet experience and to investigate how this is staged and managed by the staff at the lodge. Students are also tasked to reflect on how experiences are co-created during the interactions between all experience participants (staff and guests). This case study provides opportunities to evaluate personalisation and co-creation practices adopted by Saffire Freycinet staff, and highlights the numerous challenges they encounter while staging and managing high quality guest experiences.

Before Arriving: Getting Guests Excited

That morning, like every morning at 9 am, Jonathan was heading to the staff departmental meeting. During these meetings, held twice a day, a member of each department met to discuss the “Saffire Today”, a report used to keep track of arriving, in-house and departing guests. This report was constantly updated to follow up on guests’ stays, their thoughts, feelings and needs. During these meetings, the staff (Fig. 3.2) shared information they had discovered about each guest and circulated it to other departments for them to create effortless and organic guests’ experiences.

That day, among the arrivals, was Charles, a regular guest. Since his first time at the lodge, he had been so impressed with the care and attention given to every experience detail that now, every time he and his wife had a small break, they would jump on a plane and take the opportunity to spend some time at the lodge.

Charles was the typical Saffire’s guest: a managing director of a medium-size firm in Sydney. He was very time poor and loved, from time to time, leaving behind his busy life, suit and tie, his phone and laptop, and heading to a place where he



Fig. 3.2 Saffire Freycinet staff and airport lounge

could be himself, able to wear jeans and a t-shirt, connect with nature and enjoy the finer things in life. Jonathan knew that Charles was a “True Luxury 2” guest. To better understand their guests’ needs, the lodge had conducted a survey and created guest categories based on their psychographic traits. Out of the survey, six guest categories had been created: Special Occasion; True Luxury; True Luxury 2; Indulger; Adventurer; Escapist. This had greatly assisted the staff in anticipating guests’ thoughts, feelings and needs and personalising their experiences accordingly. The “True Luxury 2” guest, for example, was used to describe a high-net-worth individual who held a position of great responsibility. Generally middle-aged, “True Luxury 2” guests were often people at the very top of their profession. Whatever their background, they were used to the finer things in life, but also the value of a dollar.

Charles had built a close relationship with Jonathan and would never leave the lodge before catching up over a drink. This was not uncommon considering the

small capacity of the lodge. Many guests, over the years, had grown to be friends not only with Jonathan, but also with some of the staff and with other guests. Knowing Charles was arriving, Jonathan made a mental note to free some space to have a glass of wine with Charles while his wife, Karen, paid a visit to Spa Saffire for her usual arrival massage.

Stay details, of course, had already been organised. As Charles was a returning guest, all departments had already been informed and an itinerary had been curated for Charles and Karen's stay before their arrival. This would have been different if Charles had been a first time guest. The lodge would have made contact with him 60 days before arrival to get him and Karen excited about their upcoming stay and to send a questionnaire to ask about their preferences. This information was vital to understand what the guests wanted out of their visit.

Every Saffire guest arriving in Tasmania had access to a dedicated private airport lounge (Fig. 3.2). Once they arrived at the lounge, the guests were offered refreshments and direction to reach the lodge. Most of the guests would decide to drive up to the lodge to take advantage of the scenic road. That day, Richard, the lounge guest service manager, saw Charles and Karen approaching from the airport gate. Even though a car had been pre-organised for them, Richard noticed they both seemed very tired and offered to arrange a driver to take them to the lodge.

Charles declined: *"Driving up there always relaxes me."* Richard bid them farewell and, once the two had left, rang Russell, the guest service manager at the lodge. *"Charles and Karen are departing now. They are driving up with a white Ford and should be there at 2pm. They both look very tired. Make sure the check-in is fast. I have the feeling they just want to relax."* *"Thank you, Richard – Russell replied – this should be fine. We have a few first-time guests today and I am sure a quick check-in will come in handy at peak time. I will let Jonathan know we are expecting them by 2pm."*

Welcome to Saffire Freycinet

That afternoon, as planned, a white Ford approached the lodge from the 500 m driveway that led to the property from the national park. At the same time, both Jonathan and Russell received a photo on their phones from the driveway camera of the car approaching. Jonathan, walking toward the entrance, saw Russell sitting in the lounge with a couple of American first-time guests who had just arrived and were on their honeymoon. They seemed very excited and ready to tackle as many activities as possible. Jonathan thought they fell right in the "Adventurer" category, also known as guests who "collect memories". These guests typically wished to fit as much into their itinerary as possible, so Russell ensured that they met Saffire's head guide to discuss various activities. Russell also knew that generally "adventurers" would not use the spa, so offered that the spa credit (included in their rate) could be spent on paid experiences and activities.

The couple had arrived an hour earlier. When Russell first saw them, he felt they were a bit disorientated. After a few questions to ascertain the reason for their feelings, Russell had realised that this was the very first time the couple was staying at an Australian luxury lodge and that they were still adjusting to the new location. He had spent the last hour organising a very busy itinerary for the couple and trying to make them feel more comfortable. The fact that it was lunch time when they had arrived, and that all other lodge guests were returning from their excursions, had surely contributed to make the couple feel more at home. The lodge guests were dirty, in their active wear and eating the casual, yet well-presented, and generous buffet (Fig. 3.3), balancing plates on their laps. Russell stood up and escorted the couple to their suite while Jonathan walked outside to greet Charles and Karen.

Charles and Karen stepped out of the car and were welcomed by Cory, the landscaper, who was watering the Australian native bushes around the property. *“Welcome back Charles and Karen! It is so nice to see you again. How was your drive?”* *“Great as usual, thank you Cory – replied Charles – Make sure you save some time tomorrow to take me back to that fishing spot you showed me last time.”* Charles and Cory shared a passion for fishing. The two had built a very special relationship since, on a previous visit, Cory, seeing a car approaching and no senior members of the team in sight, had stepped in and gone through the arrival experience with Charles and Karen until Jonathan had been free to take over. All staff at the lodge, in spite of their role, were trained in every guest journey touchpoint and how to acknowledge guest’s thoughts, feelings and needs through all moments of truth. No spiels were mandatory and this meant each interaction was as authentic as it could be. During that time, Cory and Charles had bonded over their shared



Fig. 3.3 Saffire Freycinet entrance, lobby, private jetty and buffet lunch

passion for fishing. While the two were talking, Jonathan looked at them from the entrance of the lodge, and noticed that both, as Richard had observed, seemed very tired.

As they approached Jonathan, Charles' face seemed to already relax. Jonathan exclaimed "*Charles! It is nice to have you back with us. Welcome home!*" "*It is nice to be back here – Charles said – It surely feels like home. Every time I drive through the national park and I see the lodge in the distance I instantly relax.*" Jonathan knew this all too well. The lodge's shape, and the special location overlooking the Hazards Mountains, away from everything but the azure waters of great Oyster Bay, pink granite and bushland, evoked a special connection to the surrounding pristine nature. This spectacular first impression had already made many visiting guests feel as if they had somehow been transported to a parallel universe.

With an impressive entrance (Fig. 3.3), the whole building was meant to disorientate. The lodge was built around the view, meaning that the guest would naturally look straight out at the majestic mountain range as soon as they entered. Once the guest became accustomed to the view, they would look at the rest of the interior and notice curated furniture and fittings, with no immediate indication of a hotel lobby (Fig. 3.3). This was a deliberate design feature. As many of Saffire's guests spend much of their lives in hotel rooms, instead of evoking a feeling of "work", the main entrance aroused a sense of escape to all who came through. Jonathan took Charles and Karen to the private jetty (Fig. 3.3) hovering the water feature and a glass of Charles' favourite Chardonnay and a tonic water for Karen, who was very health-conscious, appeared magically.

In the meantime, Russell was on his way back to the lobby. As Richard had suggested, the couple looked tired, so Russell had stopped briefly to make sure Charles and Karen's room was ready. He wanted to also ensure that the housekeeping team had remembered to remove all orange juice from the minibar. Both Karen and Charles hated orange juice as the staff had discovered during their first breakfast at the lodge. These small details were what made the guests' experience feel so effortless.

The Private Pavilion

Jonathan saw Russell approaching the lobby and left Charles and Karen with him to be escorted to their suite. He was going to run back outside as another photo of an approaching car had just showed up on his phone screen.

After their past visits, the team knew that when Charles and Karen were visiting, they had some specific room requests. After their very first night at the lodge, the staff had realised that Karen and Charles did not want to sleep in the same room. Russell, who was a guest service agent at that time, remembered the tired face Karen had the morning after. When he had approached her to see what the problem was, she jokingly had said "*I am surprised you have not been woken up by my husband's snoring last night too.*" From that moment on, there was no discussion: the



Fig. 3.4 Private pavilion details and guests relaxing

couple was always assigned to one of the four private pavilions, which had separate bedrooms (Fig. 3.4). This was also the most expensive of Saffire's suite categories, but Charles and Karen were happy to pay whatever rate was required as long as they both were able to get a good night's sleep.

The private pavilions were spacious 140 m² rooms with a dining area and kitchen, which allowed guests to have an in-suite private chef. Charles and Karen, however had never used that option. As business people, one thing that they were very good at and enjoyed doing was to socialise. They would often have dinner at Palate Restaurant with some other regular guests of the property and spend hours chatting and even making business deals. This meant the staff had to be ready to accommodate sometimes unexpectedly large groups in the lounge or the restaurant.

The private pavilion had also a spacious private courtyard (Fig. 3.4) with plunge pool overlooking the bay. This, in Karen's words, was "*her piece of heaven on earth.*" Karen was a very active person. She would take advantage of all the inclusive activities the lodge offered to the guests, including bike-riding, hiking, kayaking and bushwalking. Additionally, the housekeeping team would always make sure a yoga mat and a set of dumbbells were in her private room as she trained every morning at 6:30 am in the private courtyard.

Russell opened the private pavilion door and let them in. He would have normally gone through all the features of the room with new guests however, he knew this was Charles and Karen's "second home" and there was no need for this. Charles and Karen were two very down to earth, independent guests. They appreciated the

special attentions but also did not enjoy being suffocated by it. They highly valued their privacy and were happy to do things themselves to maintain it.

Before leaving, Russell indicated a bottle of Apsley Gorge Pinot Noir sitting on the dining table with a note. Jonathan had asked to arrange it for Charles earlier in the morning. Knowing Charles' passion for wine and whisky, Russell had made sure in the morning that Charles' favourite Tasmanian wine was available both at the bar and at the restaurant. He had gone to the winery himself the day before to make sure he could get his hands on a particularly good vintage of that wine. He was sure Charles would have appreciated it. Charles smiled and said.

"You guys never forget! Tell Jonathan I will join him in the lounge in an hour", and went on to unpack his luggage and finally slip on a comfortable pair of jeans (Fig. 3.4).

Over a Whisky

Jonathan was in the foyer observing the lounge from the jetty. He would do this a couple of times a day to soak in the atmosphere of the lodge. Some days, the lodge felt peaceful and bright, while some other days, the atmosphere was buzzy and chatty. That day, the lodge was radiating warmth and the scent of baked cheese tarts was hovering around the main lodge building. The chefs were baking their famous Pyengana aged cheddar cheese tartlets for the evening drinks. The lounge staff had changed the music to an easy-listening lounge mix, dimmed the lights and lit the fireplaces. Late afternoon was when the sunset colours of the bay and bushland really came to life and flooded through the floor to ceiling windows of the lodge (Fig. 3.5).

Jonathan saw Charles coming from his private pavilion suite. With a nod, Jonathan started walking down to the lounge where Charles had positioned himself in his usual seat next to the fireplace, in front of the beautiful eucalyptus wooden chessboard the lodge had for the guests to use (Fig. 3.5). Charles loved chess. He would sit for hours, sometimes with other guests (and sometimes staff), playing in front of the fireplace. He always said that this was a good escape from his "always connected" life, taking him back to when life was much simpler. Around him, other guests had started to arrive for evening drinks (Fig. 3.5). Some of them were taking photos of the stunning sunset, others were sitting and chatting. Russell was also around, mingling with guests.

"I saw in the room a bottle of Apsley Gorge Pinot Noir. Your staff never forget. Every time I am here I wonder how you and your staff can possibly remember all these details." Charles said, repositioning the chess pieces so that Jonathan could join the game. *"You know, we receive training as mind readers before commencing our employment"* Jonathan joked. Yet, he thought *"Just glad for the Saffire Today and all those 'cheerings' staff write to each other"*. Every time they interacted with guests and found out something about them, the staff shared it with the guest service manager, who, in turn updated the Saffire Today and disseminated the information



Fig. 3.5 Saffire Freycinet at sunset, evening drinks at the lounge, and food and beverage staff

to all departments. All the details were then imported in a guest profile management system to be used in the future to customise each guest's stay. Every time a staff was "getting right" the guests' thoughts, feelings and needs, another staff member would write a "cheering", an acknowledgment of their good job. This had worked very well to keep the staff attentive to their guests and to maintain that guest-centric culture and level of engagement needed in such a high-pressure environment.

"Charles, it is so nice to see you again. May I bring a glass of your favourite?"
"Dear Camille – Charles also knew the staff by their first name – I think I will need something stronger this time to take my mind off work. What about a whisky? Do you have anything new on the list?" Camille proudly replied *"We have just introduced an incredible locally distilled whisky, which has just been released. Lawrenny single malt. It is a limited barrel release. I am sure you will appreciate this. The head distiller, Jon Dinsmoor, worked at Lark Distillery and then became head distiller at Archie Rose in Sydney. He surely is one to watch!"* *"I am sold, bring us two of those"* said Charles, impressed. Jonathan was also impressed. Clearly, all the resources and time invested in training their food and beverage team, and the annual Tasmanian distilleries staff trip, were paying off.

Camille organised and delivered the whisky, while a member of the kitchen team came out with an aperitif platter of Pyengana cheese tartlets and freshly shucked oysters from the Freycinet Marine Oyster Farm. Those oysters were so well-regarded that one of the experiences the lodge offered was to explore the Marine Farm (Fig. 3.6). Guests would stand knee-deep in the water and taste freshly shucked oysters directly from the water on a table set up in the middle of the Marine Farm. All this while sipping a glass of Tasmanian finest sparkling wine.



Fig. 3.6 Saffire Freycinet experiences: the Oyster Farm and Bee-keeping

The experience had become so popular that it was one of the most “instagrammable” moments of the guests’ stay.

“The seafood here in Tasmania is fantastic – Charles said looking at the oysters – Just look at these oysters! And I still cannot believe how you managed to put together that impromptu outdoor seafood barbeque last time we visited.” That time Charles had really set up a challenge for the staff. It was over the Christmas festive season and the lodge was at full capacity. As they often would, Charles and Karen had arrived for dinner at the restaurant exactly at peak time with eight of their Tasmanian friends, who were lodge guests. The lodge, being all-inclusive, allowed guests to arrive at any time for their all-inclusive dinner without a reservation. That day, all guests had arrived at the same time and the staff could not find a reasonable solution to fit the 10 people together in the restaurant. A little brainstorming among the chef, the restaurant manager and Russell and a decision was made to organise a last-minute bespoke seafood barbeque outdoors, under one of the wings of the main lodge. The chef had rushed down to the Freycinet Marine Farm, which was just 10 min away from the lodge, to pick up the seafood for the group. In less than 30 min, a beautiful table for 10 was set up, adorned with Christmas decorations made of native Tasmanian berries. It had taken the effort of every single employee at the lodge, but saying no to a guest just was not an option.

Charles and Jonathan continued chatting about business and life, while Camille kept an eye on the table. She was sensible enough to understand when her interaction was needed, and when her presence was just enough.

“Is Cory on duty tomorrow? – Asked Charles to Jonathan – I’d love for him to take me back to that fishing place he brought me the first time I visited. I can really do with some peace, quiet and nature.” Jonathan recalled the episode. During his first visit, Charles had asked Cory for some recommendations on the best fishing spots around the lodge. Cory, out of his own initiative, had organised to bring Charles to one of his “secret local fishing spots”. In the morning, while he was off-duty, Cory picked Charles up with his own car from the lodge and took him to Maltings Lagoon for some quiet fishing time. Jonathan remembered Charles raving about the experience. He had thoroughly enjoyed it, and Jonathan had been pleased with Cory’s sense of initiative. Jonathan, however, had to sit down with Cory to remind him that everything done at the lodge had to be filtered through the three main Saffire’s pillars: authenticity, luxury and surprise. Although showing a piece of “Cory’s authentic Tasmania” had delighted Charles, Cory should have used the hotel car and not his own car to ensure the experience was aligned with the luxury standards of the lodge. *“I am sure he will be happy to. Let me also organise a car for him to take you down to Maltings Lagoon”* Jonathan replied.

It was by now time for dinner and Karen joined Charles. They asked Jonathan to join them, but he politely declined the invitation.

Goodbye Until Next Time

During the morning meeting, Jonathan was pleased to hear that no incidents had occurred during the night. Among the arrivals, many guests that day were first timers, coming to celebrate some special occasion. Others, like Charles, were familiar names. This was the beauty of this job, every day was different, every customer was different and so were those moments that the staff staged to create unforgettable memories for guests.

While going through the arrivals list, Jonathan saw Cory and Charles approaching the hotel car for their fishing trip. He felt grateful to be able to rely on his staff to go the extra mile with every single guest.

Between his daily duties and the constant interaction with lodge guests, Jonathan had to remember to find some time to bid farewell to Charles and Karen. After all, creating and nurturing strong relationships with guests was what made the lodge successful. Jonathan had also organised a small gift for the couple to take home: a jar of honey, made by the very own Saffire Freycinet’s bees, which was another favourite activity of the guests (Fig. 3.6). The staff had one rule only when it came to departure amenities: nothing quick to eat or drink. Every amenity, whether it was a jar of honey, local jams, spirits or wine, was meant to last the trip back home, so that, one day, on a rainy and conventional Monday, guests would wake up at home, use the Saffire honey on their toast and bring back the memories of their experience to brighten their day.

Just before noon, Russell was approaching the entrance with Charles and Karen’s luggage. Jonathan joined the couple to escort them to their car. *“I hope your stay*

was as relaxing as you hoped it to be” Jonathan said. “If it wasn’t you probably wouldn’t see us again. But I am telling you, you cannot get rid of us so easily – Charles replied with a smile, and turned around looking back at the lodge – You can never get tired of this. Tell Cory I will be expecting to explore another fishing spot next time.” Both smiling, the couple stepped in their car and slowly drove away, back to their daily lives.

Discussion and Questions

This case study tells a story, a day in the life of guests’ lived experiences, and of staff who stage and manage the quality of those experiences. The narrative explores what is an experience, how experiences are co-created and what is the role of both guests and hosts in creating luxury accommodation experiences. Although many elements and factors vary from hotel to hotel, it is crucial for future hoteliers to understand the determinants of accommodation experiences and how these are co-created and perceived by guests and staff. Referring to the case study, answer the following questions. To support your analysis, you should apply theories and studies on guest experience, service blueprint, experience quality and value co-creation in luxury accommodation.

1. Reflect on the theatrical metaphor Hemmington (2007) provides to define the hospitality experience. Who is the audience? Who are the front stage actors? Who are the backstage technicians? What are the supporting activities? What constitutes the theatrical stage? How do these combined elements create the Saffire Freycinet experience?
2. Applying Walls et al. (2011) model of luxury hotel experience, analyse all the elements that have contributed to create Charles’s experience at Saffire Freycinet Lodge? How do these elements make Charles’ experience a luxury experience?
3. Through the utilisation of a service blueprint, identify all the customer journey touchpoints, physical evidences, people and processes that contribute to create the service experience.
4. Reflect on the role that co-creation has in creating positive guest experience. How does co-creation facilitate the personalisation of Charles and Karen’s experience? Provide examples from the case study to support your reflection.
5. Reflect on Charles and Karen’s psychological and emotional needs throughout the years of visits. What co-creation strategies have been used at Saffire Freycinet to identify and respond to these needs? Can these strategies be applied to other types of guests?
6. Critically reflect on the strategies used by the lodge staff to co-create and manage the quality of Charles and Karen’s experience. Are there other strategies that can be utilised in this context? Can these strategies be utilised in other hotel contexts?
7. Evaluate what are the most impactful challenges the staff at Saffire Freycinet Lodge experience when staging, co-creating and managing the guest experience. How do they overcome them?

Conclusion

The mature stage of the hospitality industry, characterised by higher levels of customer expectations, increased competition and low product differentiation, has accentuated the importance of staging and managing personalised, high quality guest experiences. This allows to create and sustain a business competitive advantage. Operators in the industry are now required to understand and apply key customer experience concepts in the design and management of service experiences. The themes proposed in this case study relate to guest experience, co-creation, experience quality, and total customer experience management.

Teaching Note

Case Summary

This illustrative analytical case study is set at Saffire Freycinet, a luxury lodge located in Tasmania, and narrates a day in the life of the lodge staff and their interaction with two regular guests, Charles and Karen.

This case study is purposefully presented via a detailed storytelling narrative, using subjective language to provide students with opportunities to reflect on the complex and personal nature of guest experience. The case is structured around a service blueprint of an overnight hotel stay, dividing the guest journey into touch-points. The case provides clues related to all dimensions of guest experience proposed by Walls et al. (2011), emphasising the role that each dimension has in creating positive guest experiences. The case study is designed to investigate common industry practices employed in staging, managing and co-creating the quality of these experiences, and the challenges faced by accommodation providers in personalising luxury accommodation experiences.

Teaching and Learning Objectives

Through this case study, the students are able to:

1. *Reflect on the concept of guest experience, its characteristics and dimensions.*
2. *Analyse the guest journey through the utilisation of service blueprints.*
3. *Evaluate the factors that influence guest experience quality perceptions.*
4. *Critically reflect on the role that providers have in staging, co-creating and managing positive guest experiences and the challenges that they might encounter.*

Target Audience

The case study is designed for a graduate student audience. The teaching objectives and suggested themes, as well as the suggested teaching approach and additional readings imply a higher level of comprehension and application more suited to post-graduate students.

Teaching Approach and Strategy

This case study is versatile. It is recommended to provide the students with the case study prior to class delivery, in order for the students to familiarise with the overall context and utilise the case study as a point of reference. Prior to any type of work, the key theories should be taught over separate class periods as suggested in the lesson plan in Table 3.1.

Individual/Group Work: In Class Discussion

Although the case study is suitable for individual work, a more collaborative approach can facilitate students exploring the complexities of the scenario.

After reading the case study, students/groups are asked to answer the suggested questions. Questions might be distributed across class delivery, emphasising specific concepts/theories and their application. Students/groups are given time (20 min) to answer each question. This could include asking students to integrate additional secondary research. Answers to the questions might be kept in a written form or students/groups could be asked to share their findings in a group/class discussion.

Table 3.1 Lesson plan

Class period	Main theory/concept
1. 60 min	Experiences
	Customer experience
	Elements of the hotel experience
2. 60 min	Customer perceptions
	Personal characteristics
	Trip-related factors
3. 60 min	Physical environment and the servicescape
	Human interaction
	Service blueprinting
4. 60 min	Co-creation
	Experience quality management

Group Work: Personalisation Role Play

Students are asked to apply key theoretical concepts to different types of guests (the case study provides a description of the Saffire guest category “adventurer”, alternatively other types of guests can be used for this purpose, such as special occasion guests, VIPs). Students must identify co-creation and personalisation strategies suitable for the different types of guests and apply them through a role play.

Group Work: Servicescape Mood-Board

Students are asked to identify all the passages that relate to the physical environment (servicescape). Supplementing the case study with online research (blogs, TripAdvisor reviews, photos etc.), students are tasked to create a mood-board representing the servicescape of Saffire Freycinet.

Students are encouraged to be creative, nevertheless to ensure the mood-board is a true representation of the lodge servicescape. Students are prompted to represent emotions and reactions they believe guests at the lodge experience when interacting with the servicescape (this can be done through the use of photos, images that evokes feelings, colours and graphics). In a face to face delivery, the mood-board can be presented in class utilising also music, scents, fabrics, materials and other sensorial elements.

Group Work: Service Blueprinting Infographic

Based on the case study, students are asked to construct a service blueprint of Saffire Freycinet experience, following the instructions proposed by Bitner et al. (2008). This activity can be conducted in class or over a period of time, depending on the level of complexity of the service blueprint set out by the instructor. Students can be also asked to present the service blueprint through the use of infographics (e.g. guest journey map).

Assessment

The students will be asked to write a report based on the case study. Sample questions provided can be utilised to guide the students in investigating a specific area of experience studies (e.g. experience quality management in hotels; hotel service and experience design). This could include the introduction of infographics, the servicescape mood-board and the service blueprinting activity previously suggested. It is recommended that students include a minimum of 8–12 references.

Analysis of Teaching Objectives

The Hotel Experience

Experiences are concepts that have been studied for over 60 years; however, there is currently no agreement on definitions, characteristics and determinants (Kandampully et al., 2018). Pine and Gilmore (1998) define experiences as series of events that engage customers on a personal level. Similarly, Meyer and Schwager (2007) state that experiences are customers' emotional and individual responses to direct and indirect interactions with an organisation. In the luxury accommodation, Walls et al. (2011) argue that guest experiences are determined by four factors, two of which are under the control of operators, namely, physical environment and human interaction (staff-guest interaction; guest-guest interaction). The other two factors are inherently personal to each guest or external to the hotel, therefore uncontrollable (personal characteristics and trip-related factors).

The case study offers ample opportunities for students to identify the determinants of the guest experience and how staff manages the various experiential elements to suit guests' individual needs. This includes: detailed descriptions of the Saffire Freycinet physical environments (servicescape) and the respective emotional reactions these environments evoke in guests and staff; activities staff undergo to personalise the guest stay; portrayals of how guests interact with staff, and among themselves. The case study also describes Charles and Karen's personal characteristics as well as hints on some trip-related factors affecting their experience.

Guest Journey and Service Blueprinting

Experiences are not perceptions of single events or interactions. They must be understood as a sequential and cumulative journey guests undergo through every interaction with the organisation (Carù & Cova, 2003). Creating memorable accommodation experiences that account for all these interactions becomes key for business success (Gilmore & Pine, 2002). One tool that can be used to tackle the complexity of guest experiences is service blueprinting (Bitner et al., 2008). Service blueprints are customer-focused tools mapping guests' touchpoints throughout their experience. They also highlight the service process at each touchpoint, breaking it down into physical evidences, on/off-stage staff and activities and supporting processes fundamental to drive customer-focused service delivery (Bitner et al., 2008).

The case study is structured around the example of an overnight hotel stay blueprint provided by Bitner et al. (2008). The various customer journey touchpoints have been described in the narrative through the interplay between Charles and Karen's current experience and their past experiences. This provides the opportunity for students to either focus specifically on one storyline (current experience), or to explore the Saffire Freycinet experience more holistically (integrating past and present experiences). By taking the perspective of the staff in the narrative, the case

study also allows students to analyse not only the “front stage” activities and interactions, but also those actions and supporting activities required back stage to stage and manage the overall guest experience.

Hotel Experience Quality

Guests evaluate experiences not only cognitively, but also emotionally (Alnawas & Hemsley-Brown, 2019). Specifically, the quality of the experience is evaluated based on the psychological and emotional outcomes that guests seek to achieve by engaging in a particular experience. Although several studies have attempted to identify specific experience quality dimensions in the context of luxury accommodation and boutique accommodation (e.g. Aggett, 2007; Harkison et al., 2018; McIntosh & Siggs, 2005; Walls et al., 2011) no unified understanding exists.

These psychological outcomes can be challenging to manage, as they are complex and often contradictory. For instance, in the case study, Charles and Karen are searching for an escapist and immersive experience, but, simultaneously, need to be able to maintain their lifestyle and linger in their routines while at the lodge. Similarly, they are highly sensitive to privacy but enjoy the familiar and homely atmosphere of the lodge. Various commentaries related to their psychological and emotional needs are embedded in the narrative to provide the students with an opportunity to reflect on the difficulties inherent in understanding guests and their needs.

To fulfil these needs, a “perfect performance” is not enough. Saffire staff need to be sensitive to these psychological and emotional needs and tailor their approach accordingly, sometimes “breaking the rules”, but without losing the essence of surprise, luxury and authenticity, which form the “three pillars” of the Saffire Freycinet experience.

Staging, Co-creating and Managing Hotel Experiences

Experiences are co-created, therefore, value is created with the mutual input and participation of both guests and providers (Harkison, 2018). Given their very complex and personal nature, staging, co-creating and managing experiences is a very challenging exercise for hoteliers. The only role that hoteliers have in the process is to stage the conditions for experiential consumption (Pine & Gilmore, 1998). The orchestration and manipulation of controllable experiential aspects are aimed at creating an emotional connection with guests, which in turn, facilitates the creation of memorable experiences.

This case study is a clear example of how experiences are co-created. Among the many co-creation strategies used at Saffire Freycinet, guests are encouraged to share information about themselves, which in turn allows the staff to customise their experience (e.g., a questionnaire sent pre-arrival to identify guest’s preferences; staff keep track of guest information through the “Saffire Today”). This process is

also encouraged through internal reward mechanisms (e.g., the “cheering” system) and facilitated by having staff members and managers dedicating part of their time to interact with guests (e.g., managers at the lodge greeting personally every guest on arrival and departure; managers mingling with guests during evening drinks; empowering staff to create personal bonds with guests). Co-creation can also happen through the interaction with fellow guests (socialising within the lodge) and outside the lodge itself when guests undertake external activities (The Oyster Farm, Saffire bee-keeping activity).

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Justin King is a graduate of the Blue Mountains International Hotel Management School. Justin has spent much of his career within luxury lifestyle properties. Currently the General Manager of VOMO Island Resort in Fiji, Justin was previously the General manager of Tasmania's Saffire Freycinet. During his 6 years with Saffire, Justin helped to shape the modern definition of what experiential luxury means when applied to Australian properties. During his tenure, the property won a range of peer-based and industry awards including "Best Overall Boutique Hotel in the World" and six concurrent years as "Best Luxury Property in Australia" on the TripAdvisor forum.

Chapter 4

Extraordinary (Memorable) Experiences in Events: The Case of Skylighter Fireworx, Australia



Anastasia Yeark and John Powers

Abstract The fireworks industry is an integral part of delivering extraordinary (memorable) experiences in any private and civic event. To provide such experiences, event businesses, large or small, must incorporate experience co-creation into every aspect of event design, planning and delivering by establishing a delicate balance between various stakeholders needs. The case of Skylighter Fireworx, Brisbane, Australia, provides students with thought-provoking insights into the showmanship approach taken in designing and delivering the Skylighter Experience nationally and globally. By using a storytelling approach, the case study uncovers various industry-specific aspects contributing to the success story of the Skylighter Fireworx in designing, delivering and co-creating extraordinary (memorable) experiences for its customers (Fig. 4.1). It also draws upon the recent challenges that the Skylighter Fireworx faced due to the recent bushfire crisis in the states of New South Wales and Queensland in 2019.

Keywords Event management · Fireworks industry · Extraordinary (memorable) experiences · Experience co-creation · Bushfire challenges

Introduction

The purpose of this case study is to provide students with insights into an Australian family-owned business, Skylighter Fireworx (Fig. 4.1), which adopts experience co-creation through the provision of fireworks displays in private and civic events. Since its inception in 1999, Skylighter Fireworx has grown to become the largest pyrotechnic company in Queensland and one of Australia's most sought-after pyrotechnic display specialists in the world. Every year, Skylighter Fireworx presents over 600 displays both nationally and internationally with award-winning displays

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Fig. 4.1 Skypoint Fireworks, Sea Fire on the Gold Coast (2018)

in Macau, Canada, USA, Philippines and United Kingdom. In Australia, Skypoint Fireworks provides the iconic New Year's Eve displays for Brisbane, Gold Coast, Mooloolaba and Townsville along with other civic events that leave the public in awe (Skypoint Fireworks, 2017a, b).

A good understanding of what an 'experience' means in the context of tourism, hospitality and events can be elicited from the work of Otto and Ritchie (1996). They opine that the elements of a memorable service encounter (experience) should be seen through the lens of an individual's mental state. A few years later, Pine and Gilmore (1998) proposed that the services industries were entering an era of experience-centric business offerings in which the customer is to be placed at the centre of experience creation:

In this fast-growing experience economy, consumers look for affective memories, sensation and symbolism, which combine to create a holistic and long-lasting personal experience. (Pine & Gilmore, 1998)

The changing dynamics in businesses with a core service offering was later highlighted by Prahalad and Ramaswamy (2000) by identifying that the collaborative nature of designing and creating experiences with the customers was at the heart of the co-creation paradigm. In the context of private and civic events, the successful delivery of extraordinary (memorable) experiences also depends on the systematic integration of stakeholders in the co-creation processes (Werner et al., 2019) whereby the customer, event attendees, local communities and the key governing bodies are placed at the centre of the experience transaction.

Further academic and industry adaptation of the paradigm, can be seen through the lens of the affective realm of inner feelings, sentiments and emotions that partially underpins the contemporary understanding of the extraordinary (memorable) experiences (Manthiou et al., 2016). This is evident not only in the customer satisfaction levels but also in the varying sentiments held by the general public towards civic events and their sustainable contribution to the growth of local economies, through the provision of ancillary tourism and hospitality activities.

The presented case study is based on published corporate information and an hour-long personal interview with Nick Kozij (N. Kojij, interview, November 21, 2019), a high-profile worker in the industry. Nick is currently employed at Skylighter Fireworx as the Project Manager after joining the company's CEO Max Brunner in 2011. The interview, during which Nick discussed the various elements of the business that contribute to the successful creation of extraordinary (memorable) experiences, was conducted on the 21st of November 2019. The recently encountered challenges due to 2019 bushfire crisis in the states of New South Wales and Queensland were also discussed with a particular focus on the growing public sentiment towards cancelling the provision of fireworks in civic events. The information presented in this case study will include references to corporate and media information publicly available online in addition to various scholarly works.

Background

The Showmanship

For Nick Kozij, the pathway to success with Skylighter Fireworx began long before he entered the industry in 2011. Nick's parents called him the "showman" due to his extraverted personality and a long-standing interest in the performing arts. At the age of 13, Nick got himself into some trouble at school, and as a form of punishment, he had to participate in the school's fashion parade. Working backstage alongside his fellow students, Nick put on a light and sound show that rivalled the fashion parade itself. A seed had been planted, and as a result, Nick went on to join the highly regarded theatre program at his school to practice his craft. From there on, Nick spent most of his free time participating in school theatre events and pioneering local community celebrations such as the Centenary Rocks Festival. This event grew in popularity for 14 consecutive years beyond its inception in 2003, with hundreds of thousands of locals enjoying its program (Centenary Today, 2017).

As a high school senior, Nick secured a placement at the final staging of the Goodwill Games in Brisbane, Queensland as a crew member and in 2003, Nick undertook a shadowing placement at the Gold Coast Indy with the Assets Security Management Company.

I shadowed the security and risks team and got to see the inner workings of Indy. I also sat in the high-profile strategic meetings, which allowed me to work as an event employee, and it grew from there. (N. Kojij, interview, November 21, 2019)

In 2010, Nick married his high school sweetheart, and in preparation for the wedding, Nick was determined to put on a show like no other – a Disney inspired fairy tale wedding reception with fireworks and flares to fulfil his bride’s dreams. This was when Nick and Max’s pathways crossed. At that time, Max was a solo act delivering many fireworks displays across Brisbane and Nick had contracted him to deliver the fireworks display at his wedding reception. It did not disappoint. During the creatively designed fireworks spectacular, the wedding guests were delighted as they saw the night skies ignite with fiery, vibrant coloured patterns.

As Nick was already working in the event industry, he contacted Max after the wedding to discuss a potential event booking. As a result of the conversation, Nick decided to join Max’s business as he was looking for talented people to join his rapidly expanding company. Like himself, Nick could see that Max was also passionate about entertainment and delivering extraordinary (memorable) experiences.

So, I joined the warehouse team, and up to this point, I had only worked a 40-hour week once. (N. Kojij, interview, November 21, 2019)

From there on, the company grew from a two-person operation into a global business with multiple offices across Queensland and New South Wales (Skylighetr Fireworx, 2017a, b) with a team of 10 full-time employees and 80 regular casuals.

The Skylighter Experience

Nick and the team at Skylighter Fireworx deliver an extraordinary (memorable) experience regularly to various customers.

In the past, the process of delivering a fireworks experience was regimented with the sound team performing the music and the stage team performing the firework show with not much of a collaboration process more often than not this resulted in a substandard delivery of an event with no flow or continuity. (N. Kojij, interview, November 21, 2019)

As fireworks are generally included at the end of an event programme, there have to be other elements intertwined with an event such as music, food and beverage, and so much more. This is where the Skylighter experience offers a comprehensive vision. From the moment a customer approaches the team with an event enquiry through to a detailed discussion centred on customers’ needs and goals, Nick and the team guide the theme of the required event by providing customised concepts and detailing the key elements of the event design.

Ultimately, the company’s approach to formulating the Skylighter experience is based on cocreation and co-production, whereby the customer is placed at the centre of a transaction. Meanwhile, the collaborative discussions with the customer and relevant stakeholders regarding any further requirements of an event foster engagement and personalisation.

If anyone thinks that they can come into the fireworks event industry and put on a successful show, they will be foolish not to recognise that you must co-create the experience with their customers. Otherwise, they will never succeed. (N. Kojij, interview, November 21, 2019)

Their approach to delivering the Skylighter experience becomes clearer by examining one of the most recent events designed by the team. One of the Skylighter Fireworx customers approached the team with an event enquiry centred on a 100 years celebration that is themed with fire and ice. Through collaborative dialogue with the customer, Nick and the team designed a Nordic-themed event concept with a display featuring fire projectors wrapped in simulated snow. To further the concept, the team proposed the inclusion of flame shooting displays (Fig. 4.2) and falling snow at the entrance to welcome event attendees and to set a stage for a Nordic experience. To illustrate the proposed event concept, the team uses 3D simulations to demonstrate to the prospective customers what can be achieved in an event with a required theme. Such a simulation is prepared using the Fireworks Finale cloud-based software application, which Skylighter Fireworx has been utilising for several years.

We were very lucky to be chosen by a developer of this system, amongst another two business in Australia, to trial the system. (N. Kojij, interview, November 21, 2019)

Through immersion into a 3D simulation, the team proceeded to design other elements of the event such as music and lights related to winter and fire theme.



Fig. 4.2 From top left clockwise – Skylighter Fireworx Team 2019; Skylighter Fireworks Flame Shooting Displays, 2019; Skylighter Fireworx Aquatic Displays, 2019; and Brisbane New Year’s Eve Skylighter Fireworx Display, 2019

Apart from the traditional fireworks displays, the Skylighter experience is keeping abreast with new and innovative event ideas. Most recently, Nick and his team incorporated aquatic displays (Fig. 4.2) into the company experience offering whereby jet skis and fly boards are used in a choreographed display with an added laser show in the mix. Skylighter Fireworx has recently pioneered this event concept on the Gold Coast, Queensland with a focus on providing a diversified portfolio of experiences and ‘delight moments’ to its customers. The company has now been contracted to deliver aquatic displays in Saudi Arabia, and Bangkok and the rest of the world are trying to tap into the Skylighter Fireworx knowledge by requesting permission to obtain safety documents or observe the event logistics.

Corporate branding can also be seen as another customer value enhancement strategy within the Skylighter experience. During the recent Brisbane fireworks event, the Skylighter Fireworx team incorporated event organisers’ brand colours in a themed fireworks display. This extended into fitting out the fireworks with organiser’s logos and branding messages. The team has also created custom wraps to go around flame projectors to convey each organiser’s brand hashtag. In the recent grand opening event for a small-scale hotel, attendees took selfies in front of the hotel’s façade with a flaming display.

With over 1000 Instagram impressions, such branding exposure is a big deal for any small-scale business! (N. Kojij, interview, November 21, 2019)

Behind the Scenes

With the head office and warehousing property located on the Gold Coast, and three dedicated offices in Sydney, Hamilton Island, and Townsville, the Skylighter Fireworx team delivers over 600 fireworks displays yearly. Depending on the schedule of events, each day is never the same, and the structure of the working day is equally variable. Nick’s primary responsibility is to oversee the operations and logistics of the Skylighter Fireworx team.

The day starts at the warehouse location with a general meeting in which Nick and the team discuss the particulars of an upcoming event that must be completed. The team then separates into sub-clusters to have a production meeting in which more specific parameters and program schedules are discussed in depth. During festive Christmas and New Year’s Eve celebrations, for example, Skylighter Fireworks usually delivers over 200 shows across Queensland alone. As some of these events require months of planning and paperwork, the majority of the team’s time and labour is dedicated to on-site risk assessment, evaluation, and collaboration with external stakeholders such as government officials, local municipal councils, and emergency services.

The duration and complexity of an event can be reflected in the overall budget. A small-scale community event may start with a budget of \$1500, but the corporate sector may allocate anywhere from \$40,000 to \$200,000 on a civic event. Some events are straight forward ‘out-ina-field’, and others are more complex such as on

rooftops surrounding shopping centres. These events require extensive planning, preparation, and official clearances.

Delivering an event is not as simple as picking out fireworks of the shelf. (N. Kojij, interview, November 21, 2019)

Hiring the Right People

Nick and the Skylighter Fireworx team employ a diverse range of people who possess specific sets of skills and capabilities. Every employee must have fireworks and riggers licenses, high-risk blast and working with heights permits, forklift and sky beam tickets. Since the company might have six different jobs on the go, every employee is not boxed into one specific area of expertise to ensure that any of the employees in any given situation can perform the most complex tasks with perfection.

When a new employee is welcomed into the Skylighter Fireworx family, the company provides extensive and varied training to ensure that every employee is capable of performing ‘all-round’ duties and responsibilities. Due to strict state and national regulations, every new employee must undergo specific outdoor fireworks, close proximity and firefighting training completed through a registered training organisation. The company also invests time and money into inhouse training that mainly concentrates on the specialised equipment used such as flame projectors, lasers, confetti cannons, and computers with advanced 3D mapping software. In addition to this, the company provides on the job training and shadowing placements to equip new employees with the right knowledge and tools to perform their jobs.

In the events industry, the best way to learn is more often than not by observing another skilled person in action. (N. Kojij, interview, November 21, 2019)

While the company undertakes thorough and rigorous planning and risk assessment to ensure that the fireworks display go as planned, it is not so uncommon for the industry to face some challenges.

Imagine this! You spend 3 months planning an event only to arrive at the site...and the gates are locked. This is when you need to adapt to the situation and find a quick solution and also have a sense of humour. (N. Kojij, interview, November 21, 2019)

Although such issues are rare, more commonly, Nick and his team could encounter challenges of a grander scale. Delivering fireworks displays on the International Cricket Tour, for example, may mean that even the smallest changes in local regulations can be unforeseen and an employee may face unanticipated changes to the show delivery. While these challenges reflect the need for adaptability, passion is another key to be successful at this job.

If an employee is not passionate about the fireworks and providing Skylighter experiences, then this industry will burn you out!. (N. Kojij, interview, November 21, 2019)

Taking Care of the Team

As the fireworks and events industry are a high-stress environment, being surrounded by pyrotechnics and the never-ending time and schedule pressures is not for the faint-hearted. In delivering Skylighter experience in a theme park, for example, Nick and the team must typically wait for the park clearance: an official term used to describe the period in which the doors are shut for the general public, and any visitors are escorted from the park. Once a park clearance confirmation is received, there is usually a limited window of time available to set up a whole event.

Everything is pre-prepped, stored at the back of the park, and when we get the clearance, it becomes a marathon to get everything set up and in order. (N. Kojij, interview, November 21, 2019)

Apart from the daily pressures to ensure successful and timely delivery of an event, those in the industry know that the yearly festive period of Christmas and New Year's celebrations is the most arduous. Everyone has to work with extremely tight schedules to and from site after site, which may result in some of the staff working more than 60 hours per week, with an average of 12 h working days. Such a schedule can get very tiring and stressful, and by the end of January, no one wants to look at fireworks. To remedy some of the negative fatigue and stress effects, Skylighter Fireworx may host a dinner at the end of a lengthy setup day for employees and their families. To avoid staff driving home in the late hours of the night after a long day, the company also arranges accommodation at or near the event site.

The wellbeing of our employees is important to us, and we draw a clear line between being an irresponsible employer who puts its employees at risk and ensuring that we manage fatigue and stress accordingly! (N. Kojij, interview, November 21, 2019)

The Rock Star Syndrome

So how does a true showman know that the crowd loved the show? For Nick and his team, the 10 s after a fireworks display has finished is the first indicator of a job well done. When crowds 'explode' with cheers and hoorays, Nick and his team perform air guitar solos as a symbolic celebration of providing a memorable experience to event attendees. Nick and his team call this celebration act as 'the rock star syndrome'.

One year, I was on a rooftop and had forgotten about the sound delay, so when the fireworks finished, for a split second, I couldn't hear the crowd. Immediately I thought the worst, but then the sound reached me, and I busted out the air guitar solo! (N. Kojij, interview, November 21, 2019)

Other customer satisfaction measurement tools that Nick and his team at Skylighter Fireworx use are predominantly seen in the collation of post-event customers' feedback aimed at various parameters. This feedback covers overall satisfaction related to event ambience, attendee interactions with event organisers and

staff, and physical design of the surroundings elicited using emails and smart telecommunication devices. To determine the full impact of their event on local communities and the economic contribution of the event, the company uses metric indicators supplied by various event organisers such as Brisbane Marketing and Gold Coast Tourism. In the context of civic events that are usually organised by local authorities, this is the most suitable approach to measuring the economic and social impact of an event (Wood, 2005).

Focusing on Sustainability

While the provision of fireworks is not a carbon-neutral activity, Nick and the team at Skylighter Fireworx strives to offset emissions generated by the business through various initiatives. These initiatives are evident in the internal sustainability plan that pledges to address any negative environmental impact through strict recycling, waste reduction, and adoption of efficient energy practices. ‘We use reusable drinking bottles not only on the premises of the business but also at the event sites’, says Nick. The warehouse location is fitted with a dam to foster water recycling, while on-site groundskeeper recycles waste to produce topsoil or compost for the gardens. Most of the wiring and cardboard materials are also recycled to reduce waste. Likewise, company vehicles have been replaced with a more fuel-efficient fleet and offer a carpooling service to minimise the impact of CO₂ emissions associated with travel. By 2021, the Skylighter company pledges to ensure a 99.9% reduction in plastics use (Skylighter Fireworx, 2017a, b).

Challenges

For Nick and his team at the Skylighter Fireworx Company, the most recent fire disasters in Queensland and New South Wales presented many challenges. One of which can be seen in a ‘state of fire emergency’ declaration, which meant that any activity associated with fire risk or hazard is banned. This ban includes but not limited to any activities associated with fireworks, grinding, cutting and burning. As a result, Nick and his team were out of work for 3 weeks which meant a significant loss in earnings. Towards the end of November 2019, the ban was lifted from 47 local council jurisdictions and reduced down to 8. This was a welcomed reprieve for the local tourism, hospitality and events industry.

The other significant challenge that Nick and his team experienced is seen in the development of a misinformed public perception that fireworks are one of the leading causes of bushfires. This misconception was commonly promoted across all forms of social media platforms such as Facebook and Instagram. Undeniably, fireworks in the wrong hands can start fires, but like any other ignorant and malicious behaviour, such as throwing a cigarette butt out of the car window, it is an illegal act. Professional use of fireworks, on the other hand, has never in the history of Skylighter

Fireworx caused bushfires. That is because all fireworks businesses must address all safety/risk parameters before an official authority can sign off on the provision of fireworks displays in any event area. Once a ‘state of fire emergency’ has been declared in an area where an event is scheduled, Nick and his team engage in further discussions with relevant authorities to determine whether the particular event location has a high or low risk and whether an exemption can be obtained to deliver a fireworks display in a particular area.

Christmas Carols and fireworks on the Gold Coast during a fire ban are usually permissible since the display is situated on a large body of water Christmas Carols up in Canungra.....not a place where you could or even should consider hosting an event with fireworks displays. (N. Kojij, interview, November 21, 2019)

More recently, the public misconception about the causes of bushfires extended beyond the social media debate and resulted in a growing public opinion that all fireworks in civic events should be cancelled in order to redirect government spending into supporting drought-affected farmers and bushfire victims. When a Sydney local, Linda McCormick, created a change.org petition of ‘Say NO to FIREWORKS NYE 2019/2020 give the money to farmers and firefighters’, it received over 290,000 signatures (Iggulden, 2019).

Despite raising much-needed attention to the problematic way the Australian government was supporting farmers and bushfire victims, the petition did not take into account that such events are usually booked years in advance and that a decision to cancel fireworks displays will not provide much needed financial aid to the victims of the recent drought and fire disasters (Young, 2019). The petition also did not take into account that fireworks businesses, in most cases, are family-owned and its owners rely on the provision of fireworks in events as their main source of income. As such, the cancellation of fireworks would adversely impact on the livelihood of fireworks industry workers and their families.

Likewise, the petition did not take into account that the provision of fireworks in civic events generates a significant financial contribution to local economies. In 2018, for example, Sydney spent \$5.8 million on the New Year’s Eve show, which resulted in a local economic contribution of \$133 million to the community. As a result, many local tourism and hospitality services benefitted from the record-breaking crowds attending the show (Financial Review, 2019). According to Brisbane City Council deputy mayor Krista Adams, both Brisbane’s Christmas and New Year’s Eve programs in 2019 (Fig. 4.2) had an estimated \$24 million contribution to the local economy from the South Bank precinct alone (7 News Australia, 2019) and this is an enormous contribution to the prosperity of local communities that would have been impossible to achieve by cancelling the festive celebrations.

Above all, the petition did not take into account the unique social fabric of such events. “A nonticketed civic event with fireworks displays is the catalyst for social cohesion”, says Nick. It unites the community’s spirit, especially in the times of adversity. In 2011, after the floods ravaged the entire state of Queensland, Skylighter Fireworx delivered many local fireworks displays at no cost to the flood-devastated communities with an intent to stimulate recovery and to increase civic pride.

We did it because our team wanted people who suffered tremendous losses to spend one night rebuilding their spirits! (N. Kojij, interview, November 21, 2019)

In response to the growing public opinion, Nick and the Skylighter Fireworx team is currently looking to provide educational resources to the general public to demystify some of the misinformed opinions about their industry and associated businesses.

The news, social media and the public do not see the true face of our business and the overall misconception of who we are and what we do is currently a challenge that our business strives to overcome. (N. Kojij, interview, November 21, 2019)

Conclusion

Delivering extraordinary (memorable) experiences is the prime success factor of any event business, especially in the twenty-first century. Customers are no longer seen as passive consumers of services. The insights presented in this case study will provide students with a deeper understanding of the role fireworks play in creating extraordinary (memorable) experiences, facilitating positive economic and social contribution to the local communities, and contributing to the success of civic events. By studying the storytelling narrative of this case study, students will also gain an insider perspective of the interworking of an event business that offers the provision of fireworks displays as the main core service offering. In addition to this, the formidable challenges associated with the recent bushfire crisis in Queensland and New South Wales states are explored further to facilitate students in-class discussions and debates.

Teaching Note

Case Summary

This case proposes a central theme of experience co-creation in the context of tourism, hospitality and events industry through the lens of Australian family-owned business, Skylighter Fireworx, Brisbane, Australia. With a storytelling narrative, this case study immerses students in the ‘showmanship’ approach to designing, delivering and co-creating extraordinary (memorable) experiences. The key focus of this case study is to provide undergraduate and postgraduate students with a real business example of how extraordinary (memorable) experiences are designed, created and delivered with the provision of pyrotechnic display in an event. The case study questions that students should be focusing on are centred on experience co-creation, stakeholder management, and dealing with significant challenges that natural disasters may result in.

This is a versatile case study that incorporates various tourism, hospitality and events theories/concepts that can be assessed at AQF level 5, 6, 7, 8 and 9.

Teaching and Learning Objectives

The below-stated objective should be used as a general guide only due to different CLOs, SLOs and other standards that may be relevant to your subject and degree.

1. ***Critically examine the Skylighter Fireworks approach to experience co-creation: coproduction, engagement, and personalisation in private and civic events.***
2. ***Critically evaluate potential challenges associated with delivering extraordinary (memorable) experiences in fireworks events.***
3. ***Critically evaluate the economic and social contribution of fireworks displays in civic events.***
4. ***Debate on the public opinion presented in the case study.***
5. ***Develop a set of practical solutions or strategic recommendations that address challenges associated with the recent bushfire disaster.***

More importantly, this case study can be used to ensure that tourism, hospitality and events learning domains of service & experience design, interdisciplinary inquiry, collaboration, problem-solving, and professional responsibility are incorporated in students learning journey.

Target Audience

This case study is designed for both undergraduate and postgraduate tourism, hospitality and events students, and is especially suitable for students specialising in events management. These students may be studying a general business management degree with a focus on tourism, hospitality and events stream. Or students may be undertaking a specialised degree stream in events management. While undergraduate students may be asked to apply more general business theories and concepts related to the tourism, hospitality, and events industry, the postgraduate students may focus more on delivering a strategic evaluation of Skylighter Fireworx and its current approach to delivering the Skylighter Experience. The required knowledge that students should have will vary depending on the intended case study use. The preferred class size that this case study will suit for in-class discussions is 36 students (larger class sizes may present challenges with managing the time and students work effectively).

Teaching Approach and Strategy

Individual or Group Assessments (Formative & Summative)

Forum Discussion Posts – linked with the primary content delivery of your undergraduate subject, create five central questions based on the case study information that the student should answer by providing a written argument. Each question may

be allocated with 5% weighted value and assessed in line with the learning outcomes of your subject.

Sample questions for undergraduate students:

- Why is it essential for Skylighter Fireworx Company to hire the right people?
- Why is fatigue and stress management critical in the events that include pyrotechnics?
- Why is having a sustainable focus is particularly crucial for the Skylighter Fireworx Company?
- Why is stakeholder management vital in the Skylighter Experience co-creation?
- Why adhering to legal and regulatory requirements is detrimental for Skylighter Fireworx to deliver safe operations?

Sample answers: these may vary depending on student's prior knowledge and understanding of theories/concepts about human resource management, sustainability and corporate social responsibility, stakeholder management, and legal and regulatory risk and hazards assessment.

Students will need to use case study information to develop their responses or to justify their opinions.

Written Analysis/Written Proposal – linked with the primary content delivery of your subject, task the undergraduate or postgraduate students to map out the Skylighter Fireworx experience by drawing on the service design and co-creation theories/concepts.

Sample mapping may include touchpoints, S-D logic, experience co-creation with customers and key stakeholders.

Based on the completed map, students can identify potential issues and propose solutions or recommendation for Nick to consider in an upcoming strategic business planning meeting.

Sample submissions may include a detailed SWOT analysis of Skylighter Fireworx that would form the basis for proposed solutions or recommendations.

Students will need to conduct extensive research on current industry publications to develop and support proposed solutions or recommendations.

Group Presentations – linked with the primary content delivery of your subject, divide your undergraduate students into groups of three to four members and task them to design and prepare a set of educational resources to help Skylighter Fireworx to address the general public misinformed opinions about the fireworks industry and associated businesses. The prepared resources can be submitted as a written summary, whereas the group presents the key ideas to the rest of the class. Peer review should be incorporated into this assessment to allow students to evaluate each other's work.

Sample resources may include: the composition of a firework and its potential to cause bushfires; fireworks economic and social contributions to the tourism, hospitality and events industries; stimulated recovery by increasing civic pride.

Students will need to conduct extensive research on current industry publications and examples to develop these resources.

In-Class Activities

Think-Pair-Share – linked with the primary content delivery of your subject, ask the students to individually read the case study and think of an answer to any of the following questions, then pair up with a classmate to share their thoughts. The pair can then collaboratively discuss a final answer and present it to the rest of the class.

Sample question: How does Skylihter Experience incorporate experience co-creation into their events?

Sample answer: In the context of tourist attractions and events, experience co-creation is seen through the lens of three facets: co-production, engagement, and personalisation (Minkiewicz et al., 2013). This exists under a sub-premise that event businesses depend on visitors' active participation and performance consumption (Campos et al., 2018). In the case of Skylihter Fireworx experience, the three facets are evident through a collaborative approach to understanding customer and stakeholder needs, active discussions and development of an event theme, and tailor-made delivery of an event.

Debate – linked with the main content delivery of your subject, divide your students into three groups, with each group taking on one of the following roles:

- A pyrotechnician who has been a long-term employee of Skylihter Fireworx.
- A local state representative who is in charge of tourism, hospitality and events development.
- A local community member that has been adversely impacted by the drought and/or bushfires.

Based on the formed groups and the chosen role, ask the student to debate whether or not fireworks should be cancelled indefinitely in any civic event. This debate can be structured by allocating 25 min to the preliminary examination of the case study and its key content; 5 min per group to present its opening statement and argument for or against fireworks, and the reaming class time should be dedicated to allowing each group to present its counterargument. Upon the conclusion of the debate, the three groups should determine the final stance on the proposed debate.

Example Responses

Sample arguments may include:

- A pyrotechnician's argument 'for' may be based for an increase of fireworks use in civic events and government financial backing as it will directly benefit him/her.
- A local state representative's argument 'for' may be based on the revenue non-ticketed civic events with fireworks generate.

- Whereas, a local community member’s argument ‘against’ may be based on inadequate government support of the victims and the need to have access to more financial support.

Active Problem Solving – using the active problem-solving model, ask the students to read the case study and to use the following steps in formulating their answers: identify the problem, list potential solutions, examine solutions viability, implement the best solution, and reflect on whether or not the solution will solve the problem.

Sample problems may include: fatigue and stress management, sustainability, dealing with public misconception, dealing with natural disasters.

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Chapter 5

Boom Then Bust at the George Hotel



Eileen Aitken-Fox

Abstract This hypothetical case study provides an opportunity for students to explore and apply subject material related to cross-cultural issues in multinational corporations (MNC's).

The case requires students to analyse cross-cultural challenges resulting from the declining profitability of the George Hotel in Perth, Western Australia. At the recommendation of Regional Managing Director South East Asia, Hitoshi Son, the Tokyo headquartered Luxury Hotel Group (LHG) acquired the George in 2012. At the time, the impetus to invest was the prospering Western Australian mining industry, and a mixed post Global Financial Crisis (GFC) economy in Asia. Unfortunately, a combination of the now declining mining industry and increased competition has meant the George has failed to achieve the financial returns anticipated by Hitoshi.

The case provides students the opportunity to examine academic theory pertinent to crosscultural communication, human resource management, conflict resolution, and negotiation, with a view to developing strategies to address the current challenges at the George.

Keywords Hotel industry · Power distance · Australia · Japan · Cross-culture

Introduction

When LHG made a strategic decision to enter Australia in 2012, their market analysis identified Perth, Western Australia, as an ideal location. Headquartered in Tokyo and with over 60 hotels in A sia, the GFC had affected LHG's earnings, and more importantly, profit. As a result, there was a need to seek new markets.

Hitoshi Son, LHG's Regional Managing Director for South East Asia, had worked with the hotel group since the mid 1990s. He joined as a graduate after

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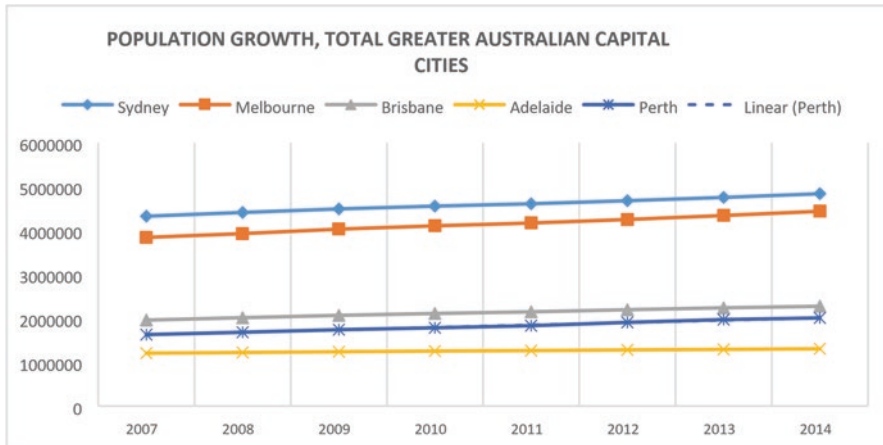


Fig. 5.1 Population growth, Total Greater Australian Capital Cities 2007 to 2014. (Adapted from the Australian Bureau of Statistics, 2015)

completing a Bachelor of Business in Tourism and Hospitality Management with Honours, from the prestigious Kyoto University. Fuelled with the knowledge gained from a Harvard MBA, Hitoshi was keen to repay the loyalty shown by his employer in supporting his MBA studies. He was also eager to establish himself as an emerging successor to the founding CEO, Osamu Ohga.

Hitoshi's research led him to Perth, a city that appeared to have avoided the GFC with the aid of a prospering mining industry. He read that Western Australia was largely responsible for Australia avoiding negative economic growth in the post GFC years. More importantly for LHG, population growth in Western Australia was on an upward trajectory with 1500 new people arriving in Perth each week (Fig. 5.1). In addition, workers were commuting to flyin/fly-out jobs in regional Western Australia from the East Coast of Australia, and each commute required a Perth hotel stay, pre and post their rostered shift. Hitoshi noted Hotel occupancy rates in Perth were at historic high, with the average room rate rising.

Rather than build a hotel and delay capitalising on the growth in Western Australia, Hitoshi recommended the acquisition of the luxury George Hotel, currently part of the Hilton Group, but on the market. With the support of the CEO Osamu Ohga and after strategic planning and asset evaluation, the LHG Board approved Hitoshi's acquisition proposal and due diligence commenced. It was agreed that Hitoshi would lead the due diligence and implement the acquisition, remaining as Regional Managing Director but with his portfolio extending to Australia.

Having studied cross-cultural communication and global expansion during his MBA, Hitoshi wanted to avoid some of the problems associated with a typical Japanese ethnocentric human resource strategy. In the course of the due diligence phase of the acquisition, Hitoshi worked well with the current General Manager of the George Hotel, Jenny Patterson. Jenny was MBA qualified and this impressed

Hitoshi. Additionally, she had worked with the Hilton Group since University, with assignments in the US and UK gaining her international experience. Importantly, Jenny originated from Perth, and was well connected. She also had a real passion for her hometown as a travel destination. Securing Jenny was not without its challenges. The Regional Managing Director of the Hilton Group, Robert (Bob) Turner was keen to retain Jenny and had offered her a role as General Manager of a larger Hilton Hotel in Sydney. Fortunately, Jenny had re-established herself in Perth and made the decision to remain close to friends and family.

Hitoshi and Jenny formed a common view that a polycentric approach would provide sufficient autonomy for Jenny to lead locally, but within a corporate strategy led by head office in Tokyo. Hitoshi commended himself on his progressive MNC leadership strategy, and his success in convincing the CEO that Australia was not the place for a traditional Japanese ethnocentric approach.

Literature Review Ethnocentric, Polycentric, and Geocentric Human Resource Management Strategies

De Cieri et al. (2007) discuss ethnocentric, polycentric and geocentric global human resource management strategies. An ethnocentric approach is characterised by parent country nationals leading overseas subsidiaries as expatriates, while a polycentric approach provides strategic leadership from 'head office', but with home country nationals leading locally (Harry & Nakajima, 2007). A geocentric approach to human resource management is concerned with identifying the best person for the job, regardless of location or connectedness to 'head office'. While seemingly an optimal approach to global human resource management, geocentric approaches must evaluate both technical and person fit, considering attributes such as cultural sensitivity and acceptance of ambiguity (Hurn, 2014).

Japanese headquartered MNC's are inclined to exercise an ethnocentric approach to human resource management, retaining central and local control. This involves dispatching Japanese expatriates to subsidiary operations to provide leadership and company consistency (Conrad & Meyer-Ohle, 2019). Research by Gamble (2010) found that Japanese companies with subsidiaries in China used more expatriates to lead local operations than European or American MNC's in the region. Interviews with non-Japanese executives from a Japanese MNC, achieved some insight into why Japanese MNC's might favour the use of expatriates in subsidiary operations (Preece et al., 2013). The authors found Japanese leaders questioned the capability of home country leaders to achieve the 'standards required'. Additionally, when transitioning to a polycentric approach and appointing local leadership, Preece et al. reported,

"tight central control from Japan HQ through bureaucratisation and standardisation", as a mitigation strategy (Preece et al., 2013, 3467).

Cross Cultural Communication

Hofstede (1980) explored the role of national culture and communication by examining cultural norms such as power distance, uncertainty avoidance and individualism/collectivism. Uncertainty avoidance refers to a tolerance for ambiguity, and individualism/collectivism is concerned with focus on one’s own goals, contrasted with a focus on team goals (Gibson & McDaniel, 2010).

Hall 1956, cited in Holtbrügge et al. (2013), considered cross-cultural communication with reference to high and low context styles. Holtbrügge et al. (2013) describe a high context culture as one where communication is formal but less direct when compared to a low context culture where communication is informal, but direct (Fig. 5.2). Additionally, Holtbrügge et al. (2013) discuss avoidance of confrontation in high context cultures, and an inclination to ‘save face’. Australia is characterised as a low power distance country, where factors such as age and hierarchy have limited influence in business communication (Jain & Jain, 2018). In contrast, Japan has a high power distance, introducing greater formality and recognition of status, seniority and subordination into interactions (Rygg, 2015).

Research has also found differences in how decision-making and meetings operate in different cultures. Consensus building prior to a meeting (Nemawashi), is traditional in Japan, whereas, decision making at the meeting is expected in a western culture (Noma, 2009). MNC employees who access training and professional development to become more culturally informed on matters pertaining to business operations are generally more effective communicators, which can lead to greater business success through effective decision making (Noma & Crossman, 2012).

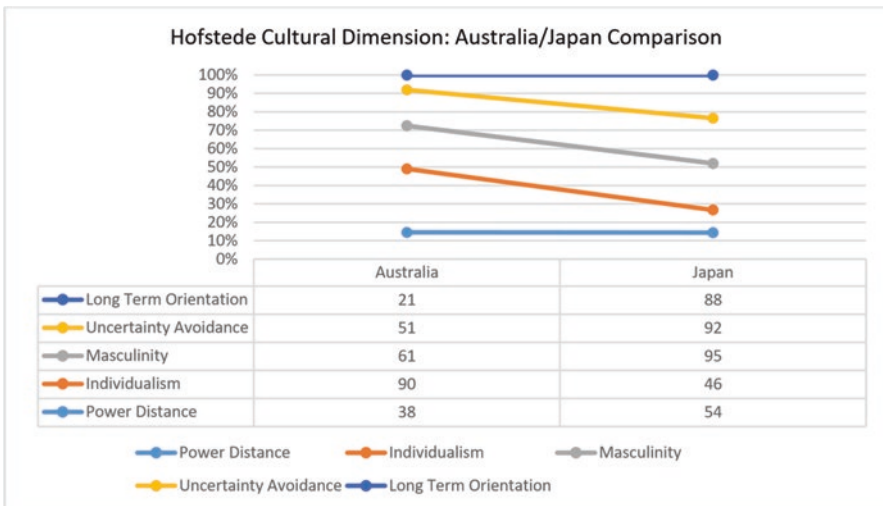


Fig. 5.2 Hofstede Cultural Dimensions. (Adapted from Hofstede Insights, 2020)

Virtual Teams and Communication

Virtual teams are not a new phenomenon; however, technology, globalisation and human resource strategies such as flexible work have transformed business operations (Adamovic, 2018). Global teams comprise members from multiple nationalities, located in diverse locations, and generally reliant on technology as the primary means of communication. However, distrust amongst teams has the ability to undermine the effectiveness of technology as a communication medium, with country culture influencing communication effectiveness, and confidence to share information (Alsharo et al., 2017). Verburg et al. (2013) found that employees from similar cultures prefer working together, a finding that might partially explain challenges in virtual global teams where communication and trust is especially critical (David & Golan, 2017). However, leaders of virtual teams have the opportunity to build trust and effective communication through crosscultural education, assisting in the development of shared goals and common understanding (Huang et al., 2010). Highlighting the importance of cultural education, Washington, Okoro, & Thomas (2012, 220) explain, “when a Japanese businessperson speaks, they expect the person to interpret what they mean by their knowledge of the cultural values that lie behind the words”.

Discussion a Good Beginning

The competition between LHG and Hilton to retain her as a senior leader was good for Jenny’s confidence. Despite her impressive career and excellent MBA results, Jenny hid an under confidence that only those close to her could see. Nevertheless, Jenny enjoyed working with Hitoshi during due diligence, albeit a time focused on transactional tasks. Hitoshi and Jenny both considered themselves organised individuals, with attention to detail. They also complimented each other with Jenny providing a local view and Hitoshi adding the LHG lens.

The first 12 months post acquisition was everything Hitoshi had imagined. Occupancy rates continued to remain at capacity and there was a year on year increase of 12% in average daily rates. The refurbishment and rebranding of the George Hotel, in conjunction with local and international marketing campaigns, were certainly contributors to the post acquisition success. However, there was a sense of excitement in Perth about the George – and word of mouth in a city where six degrees of separation was often three degrees meant LHG’s acquisition was well known. Jenny was quietly confident that her team was a major factor in the George’s success. Marketing might drive new business, but every hotelier knows that repeat business is critical.

Jenny’s team were invigorated by the new look hotel, and enjoyed the attention from LHG Executives. There had been several high-profile visits, accompanied by much grandeur. These were indeed halcyon days!

Jenny soon settled into working with LHG, reporting to Hitoshi. While the high-profile visits to the George became less frequent, Jenny enjoyed being part of the South East Asia (and now, Australian), leadership team. Formal team communication was twofold, monthly reports, and, monthly video conferences. Hitoshi led the video conferences, with General Managers from the region attending and CEO, Osamu Ohga often making an impromptu appearance. The monthly agenda was formal, as was the format of the video conference. Hitoshi would start by announcing the monthly and year to date 'budget to actual' results (revenue, expenditure, net profit, occupancy rate and average daily rates), firstly by region, then by country, and finally by individual hotel. Each General Manager would then report on the performance of their hotel, and provide commentary on matters such as local competition, economic considerations, and, employee matters. In the beginning, monthly video conferences went well and Jenny could not help but enjoy her role as General Manager of one of the most profitable hotels, and the only one experiencing notable growth. In front of her peers, Hitoshi would often complement Jenny, highlighting a number of her successes at the George.

Late into her second year with LHG, Jenny started to notice flattening in the performance of the George Hotel. She told herself that this was simply a normalisation of the business – the growth experienced in the first year could not have gone on forever. The George was simply settling into a very health run rate. Nevertheless, Jenny's apprehension started to rise and her underlying self-doubt surfaced. How would Hitoshi react to the George Hotel fading as the LHG golden goose?

Despite her attempts at positivity, over the coming months Jenny had to admit the economy was against her and the results were no longer just stabilising, they were declining. Despite her best efforts, she could not help but think back to her experience as Assistant General Manager at the London Wexler Hotel. Akio Yanai was a Japanese national and Jenny's manager at the hotel. The Wexler had been a strong performer for the Hilton Group, but some external factors in early 2005 began to impede visitor numbers. Firstly, a developer purchased the substantial open green space in front of the hotel and took no time preparing the land for the construction of a mid-rise office complex. With the green space sold to the developer, the council decided to take the opportunity to widen the road from a single lane to a dual carriageway, adding to the noise and with an assortment of diggers, cranes and other heavy-duty equipment lining the previously quiet street. At first Akio was pragmatic and supportive of Jenny's efforts to implement strategies to mitigate the impact of the construction zone. However, when initiatives such as, mid-week packages, the new conference hub, and, wedding specials, failed to return the Wexler to pre-construction performance, Jenny experienced a different Akio. Instead of monthly reports, he asked for weekly and then daily reports – which he then scrutinised, sometimes constructively, sometimes not. Jenny was aware of high and low power distance; cross-cultural communication was an important learning in her hospitality degree. Consequently, she also understood that Akio would be reluctant to lose face with the US headquartered Hilton leadership team if the Wexler failed to improve.

Her experience at the Wexler was not one she wanted to endure again; it had left her doubting her ability and triggered her intermitted bouts of anxiety. Nevertheless,

she suspected she might not be so lucky. Hitoshi was a proud man, and the George Hotel had been his innovation – would this be a repeat of the Wexler Hotel? Jenny hoped not.

The Declining Years

Although Jenny had seen some indication that the declining results at the George Hotel were of concern to Hitoshi, it was not long before she was able to understand fully, “passive aggression”. The monthly video conferences soon went from something to look forward to; to something Jenny likened to the Roman Colosseum.

It was early 2015, and with a less than impressive start to the calendar year, Jenny steeled herself for the monthly video conference. She knew the results were not good and that this would give rise to scrutiny from Hitoshi. The video conference started well, with an unusually animated Hitoshi. He was jubilant following some excellent results from Malaysia and Thailand, which unfortunately only highlighted the George’s decline. Very subtly, Hitoshi turned his focus on the George Hotel, allowing the figures to speak for themselves. However, it quickly became clear; this was not something Hitoshi was going to drop. He delved further into the detail sending a very clear message; the George was an embarrassment he did not need. While Hitoshi continued polite but relentless, Jenny worked hard to remain calm; and she almost succeeded. That was until Hitoshi launched a veiled threat about the ongoing viability of the George, questioning the competence of Jenny and her team.

With the final straw broken, and Osamu Ohga fortunately or unfortunately attending the video conference, Jenny drew the group’s attention to the opening of a new luxury hotel in Perth. The Grand Hotel was located at Elizabeth Quay, Perth’s premier riverside precinct. Importantly, everything in the Hotel was new with the latest and greatest features perfectly integrated with the Quay’s entertainment hub. This time Jenny was the one who was passive aggressive – the construction of the Grand Hotel had been offered to LHG, but Hitoshi had convinced Osamu not to wait for the build, but instead take over the George Hotel from the Hilton Group. By focusing on the success of the Grand, Jenny knew she was embarrassing Hitoshi in front of the CEO and her peers, highlighting his short-term vision. The reality was that the Grand (and other new luxury hotels predicated on the prosperity of the mining industry), were either open for business or planning to launch in the next 6 to 18 months (Fig. 5.3). These hotels had prime river front locations, while the George had river views, but located in the Central Business District. New hotels were taking business from the George, and diluting occupancy and average daily rates in Perth more generally (Fig. 5.4). While the George was not growing as a business, it remained profitable. However, Jenny knew that none of this mattered. Her reference to the Grand would anger Hitoshi, and she knew there would be consequences.

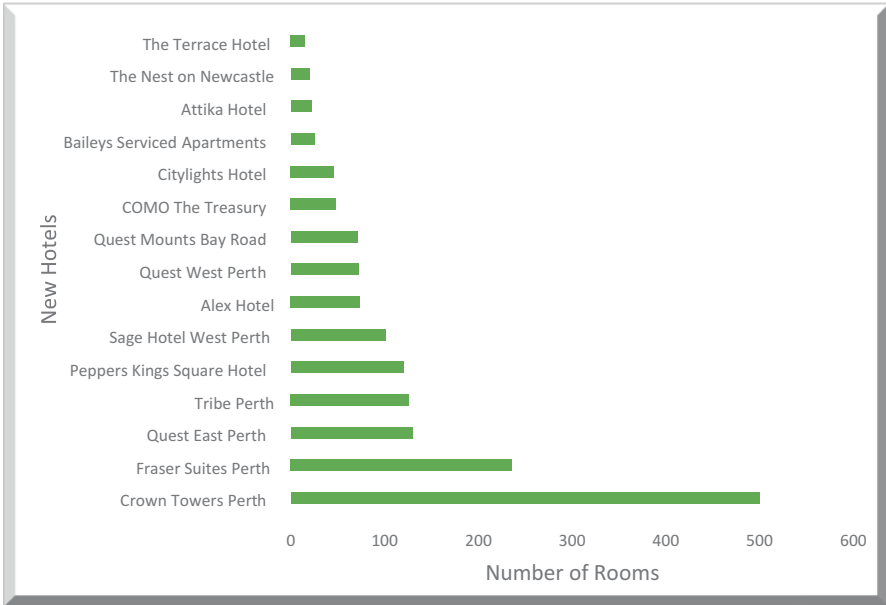


Fig. 5.3 New Perth CBD Hotel Openings Completed since 2012. (Adapted from Tourism Western Australia, 2017)

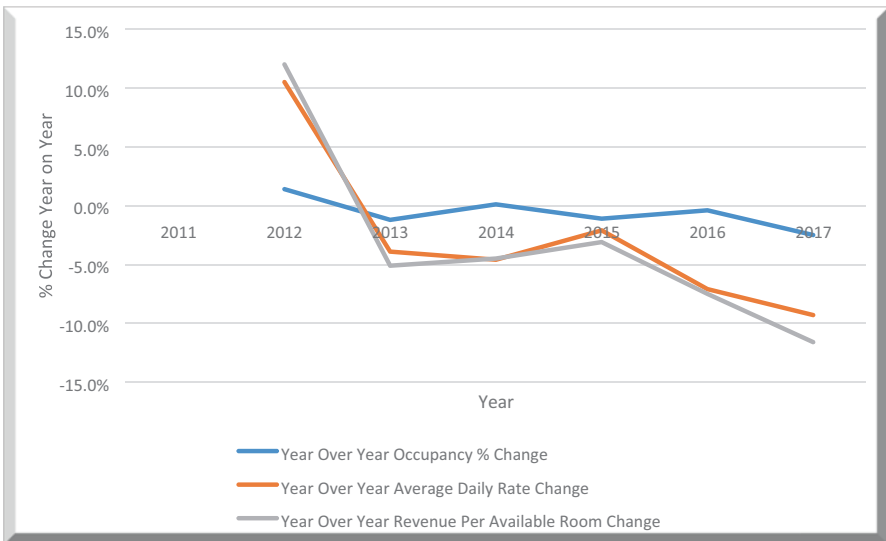


Fig. 5.4 Perth Hotel Occupancy, Average Daily Rate and Revenue per Available Room. (Adapted from Tourism Western Australia, 2017)

Where to from Here?

Jenny needed to clear her head and set off to Kings Park; a 10 km run up some punishing hills might be the distraction she needed. What a day! However, even as she ran, her thoughts returned to the George and a visit from Amy King that afternoon. Amy was Head of Human Resource Management at the George Hotel. She was an experienced HR Manager, originally from the resource industry, but now with over 10 years' experience in hotels. Her first hospitality role was at the Sydney Westin, but Amy moved to the Hilton Group with the promise of a return to her home town of Perth. Amy had been part of the LHG due diligence team, and an enormous support to Jenny when economic prosperity turned to decline. Now the calm and composed Amy was ready to walk away.

“Jenny, you need to do something, we cannot sustain this level of staff turnover. I am using every recruitment agency in town, but even they are starting to avoid working with us. Our reputation is a disaster, and we have had an 80% turnover in our senior leadership team in the last 18 months. To make things worse, absenteeism is running at 33%. I know hospitality is notorious for high absenteeism, but we are 10% above last year”.

“Amy, just bear with me – I will talk to Hitoshi. He is here next month and I intend to deliver our plan for next calendar year”.

“But Jenny, nothing will work unless you have the local team on board. They are loyal to you, but that loyalty can only go so far. The level of reporting required of senior leaders is unrealistic”.

Instead of monthly reports, we are now at daily reports – and Hitoshi's response is not helpful. He scrutinises every figure and we all feel under the Tokyo microscope.

“I know Amy, and as a team we are working at least 25% more each week just to keep up with the endless queries and data requests coming from Tokyo. Hitoshi is still living in 2012 and will not acknowledge the changed environment here in Perth. Not only did the mining industry decline just as we moved into ‘business as usual’, but look at our competition – all brand new hotels, in prime locations. I have tried to talk to him, used data, drawn pictures, been emotive, stayed calm and logical – but nothing. You know Hitoshi, always polite, but there is an edge and the veneer is slipping. Moreover, I may not have helped us either; I lost my cool at the video conference today – embarrassing Hitoshi in front of the CEO as well as the other General Managers. I don't know what I was thinking – but I do know what I was feeling”.

“Jenny –even you have a breaking point. I have watched the hours you work, and the steps you take to protect us. Perhaps clearing the air is just what was needed? Moreover, if Hitoshi does not care about our people, then he might care about the reputation of the George. Customer complaints are at an all-time high, and we are definitely no longer in demand. Employees are increasingly nervous with all the

scrutiny and will not make even the most basic decision – well that is when they are not on SEEK or taking sick days to attend interviews. And the LHG graduate rotations do not help. I know this is an opportunity for the Japanese graduates to experience working in Australia, but there are trust issues. Real or imagined, our senior team sense that the graduates are reporting back to Tokyo. It is a downward spiral—the scrutiny, the reporting, and the general lack of trustboth ways! None of us can keep going as we are – I certainly won't”.

“I know Amy; I think I proved that to myself on today's video conference! It felt good at the time – well for 30 s anyway! We have all worked so hard to get ahead in our professions, and Perth is a small town. Everyone is concerned about personal brand in the local job market. We need to find a way to work with Hitoshi and agree a new vision for the George. Somehow, I need to help him move on from the first couple of years and plan a new future. Pride is such a strong driver for Hitoshi, and I know he is under pressure from the Board and CEO. However, he refuses to be pragmatic and acknowledge any part of how or why we are in decline. How can I fix the mining industry or stop the new hotel build? It is not as though any of us have just let competition win. Our local brainstorming sessions, design thinking workshops and even suggestion box competitions have come up with some amazing initiatives – which is why we are still profitable and doing much better than any other 5 star hotel in business before the new hotels opened. Don't worry; I am not going down without a fight”.

“Jenny, you are a brilliant leader and always support your team. As I said before, we need our employees to be committed. They are worried about you, and no one is looking forward to Hitoshi's visit next month. Even our senior team look for ways to avoid him, exasperated from the ‘please explains’. I know Hitoshi is polite, but the team can see beyond the well-mannered facade. Creating a plan for next calendar year that meets Hitoshi's approval will require herculean leadership skills and human resource strategies to deliver. Two things will have to change – Hitoshi needs to trust the team at the George (and this needs to be visible), and we need to find a way to motivate and engage employees at all levels to believe in us again. And we cannot have one without the other”!

Phone a Friend?

The following week Jenny worked on the plan for the next calendar year. She had already held a series of workshops and one on ones with her senior team, so this was her time to collate their collective input onto LHG's rigorous planning template (an administrative challenge she did not want to impose on anyone else). She had an off-site meeting with her leadership team scheduled for the coming weekend, with

the intention of having the plan finalised and ready for Hitoshi's visit the following month.

Working on her own gave Jenny time to think, but not always healthy thoughts. She had always been loyal to Hitoshi, and Amy was her only real confidant. However, her confidence required a boost, and she needed advice. Bob (Turner) had been Jenny's boss and mentor at the Hilton Group, and Jenny was in need of a friendly voice...or perhaps just someone to build her brittle ego. Jenny knew that Bob was in New York (the benefits of social media) so she did a quick calculation on time zones. A thirteen-hour time difference meant 8.30 am in New York (and time to go home in Perth). Nonetheless, she needed this call and hoped she would catch Bob before he set off for work. Calling his mobile, she was not quite sure how to be; professional and under control, or honest and falling apart! After a couple of rings, Bob answered:

"Jenny, how the hell are you!!" Bob roared, he was nothing if not a stereotypical New Yorker.

"I'm well Bob, just looking for some advice".

"Shoot Jenny, how can I help"?

Bob knew the market, so Jenny only needed to share a brief overview of the troubles at the George. Besides, he had worked all over the world, so Hitoshi's reaction to the decline came as no surprise to Bob. The difference was, Bob had held senior roles for the last 30 years, so being outranked was a distant memory for him.

"You need to just be upfront Jenny, don't let him get the upper hand"?

"But Bob, he already has the upper hand, he's my boss – and part of the LHG senior team".

"So bring him in on the issue – and the solution. Ditch the emotion and get back to business.

This isn't you Jenny, you can work smarter than this. Market decline and shiny new competitors are nothing new in the hotel game, you know that. It's what you do in the bad times that define you, not what you do when the market is doing all the work. Stop relying on your fancy MBA and get back to your street smarts".

"Whoa! I guess that's me told Bob! However, I know you are right – I think I'm just worn down. Hitoshi has been gradually chipping away at my self-esteem, month by month, call by call".

"Or perhaps, you've been the one doing the chipping away. You need to be focused. Go get 'em". "Thanks Bob, will do – but after some sleep, I think! Have a good day".

"You too – I'm only a call away".

The Best Laid Plans of Mice and Men

Jenny had little time to ponder Bob's sage words of advice because Hitoshi's 'next month' visit was abruptly rescheduled to 'this month'. There was less than 24 h to prepare. Mie Yanai, Hitoshi's Executive Assistant, called to say he was booked on a flight from Tokyo to Perth that afternoon, would be staying at the George, and Jenny should be ready for a strategy meeting at 9 am the following morning. Worse still, Mei made it clear that Hitoshi intended the meeting to comprise her extended senior leadership team. That meant shift changes, days off cancelled, and more.

Jenny's team were not at all at ease. They felt ill prepared and uncomfortable with the rapid and erratic change. More importantly, there was a sense of unease that they were about to be attacked. Jenny knew that this was a decisive time and how she navigated tomorrow's meeting would influence the careers of herself and her team; not to mention the jobs of over 200 employees at the George.

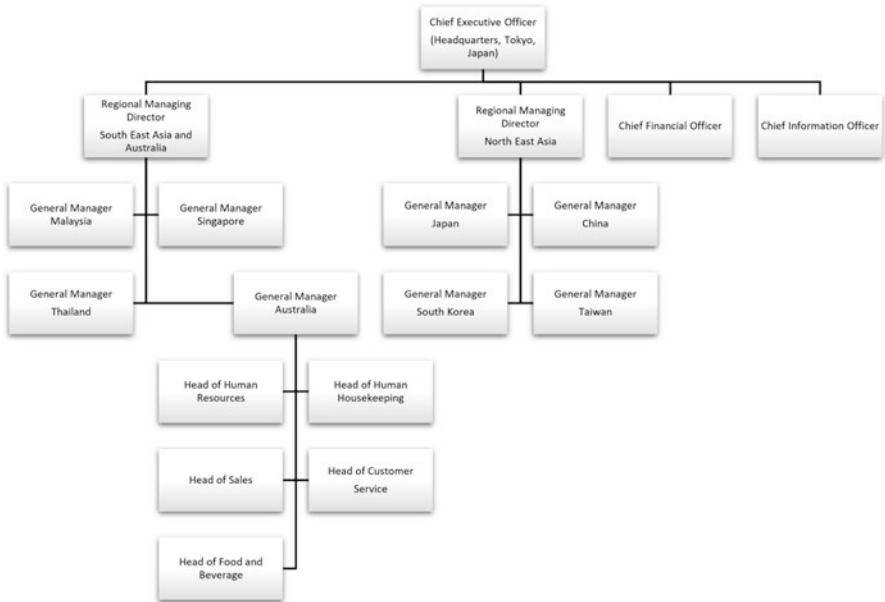
This was no time for self-doubt – but what could she do?

Conclusion

The LHG acquired the George Hotel during a time of prosperity in the Western Australian mining industry. Hitoshi Son, LHG South East Asia Regional Director, was the impetus behind the acquisition, and remains responsible for the George. At the outset, Hitoshi implemented a polycentric leadership approach, retaining Jenny Patterson as General Manager. Initially the George Hotel performed well and Jenny led her team with delegated autonomy. However, following a decline in the mining industry and increased competition from new riverside hotels, the initial success of the George has been trending downward for some time. Hitoshi has become increasingly passive aggressive, demanding data in the most granular form, and causing growing tension across the team at the George. Hitoshi has brought forward next month's strategy meeting, and Jenny and her senior team have less than 24 h to prepare.

In analysing strategies to address the current challenges at the George, the case provides the opportunity to examine academic theory pertinent to cross-cultural communication, human resource management, conflict resolution, and negotiation. While the case is fictional, the scenario is based on real events at the time, underpinned by factual economic and competitor data.

Appendix 5.1 LHG Organisation Chart



Teaching Note

Case Summary

LHG acquired the George Hotel during a time of prosperity in Western Australian. Hitoshi Son, LHG South East Asia Regional Director, was the impetus behind the acquisition, and remains responsible for the George. Initially the George Hotel performed well and Jenny led her team with delegated autonomy. However, following this initial success, the George has been trending downward and Hitoshi has become increasingly passive aggressive. He has brought forward a strategy meeting planned for next month, and Jenny and her senior team have less than 24 h to prepare.

Teaching and Learning Objectives

The case relates to a multinational hotel acquisition, underpinned by cross-cultural communication challenges, human resource management concerns, a virtual team environment, conflict, and, a declining market. Students are provided with the opportunity to:

1. ***Examine the journey of the George Hotel from pre-acquisition, to the impending 2015 strategy meeting. In analysing the case, students have the opportunity to apply theory relating to cultural differences, and to consider the effect of cross-cultural communication on trust and business success.*** By exploring models of cultural dimensions (Hunsaker, 2006; Schein, 2004; Trompenaars & Hampden-Turner, 1998; Hofstede, 1980), students can explore opportunities to address current challenges, analyse underlying factors, and, apply theory in the development of solutions.
2. ***Analyse the influence of prior experiences, and personal leadership styles, on intercultural communication. In doing so, students will examine a range of leadership theories, and evaluate leadership styles traditionally associated with Japanese and Australian led organisations*** (Patiar & Wang, 2020; Mujtaba and Isomura 2012). Students will have the opportunity to explore the role of training in the development of host country nationals, and MNC leaders more generally.
3. ***Apply global human resource strategies relevant to multi-national corporations (MNC's).*** By analysing ethnocentric, polycentric, and geocentric human resource strategies (Karadjova-Stoev & Mujtaba, 2016; Popescu & Avram (Ratiu), 2013), students have the opportunity to evaluate the polycentric strategy adopted by the LHG. In doing so, and with the benefit of hindsight, students can consider alternate global human resource management approaches, critically evaluating the relative advantages and disadvantages of each (Sekiguchi et al., 2016).

By considering elements such as trust, communication, and technology (Helge & Victor, 2018; Duranti & Carvalho de Almeida, 2012) students are also able to explore and analyse the effectiveness of virtual teams.

Target Audience

This case is suitable for postgraduate students studying general management, hospitality management, or human resource management. The case gives students the opportunity to apply problem solving strategies in times of crisis, and to implement solutions with reference to a broad range of theories (cross-cultural communication, global human resource management, virtual teams, and, leadership styles more broadly).

Methodology

This is a fictional case, but premised on economic events in Western Australia over the period of the case. Population and hotel accommodation data presented is secondary data sourced from Government publications.

Teaching Activities

Teaching Activity #1

1. Divide the class into two groups.
2. One group is to provide Jenny with advice on how to navigate the upcoming meeting; the other group will prepare advice for Hitoshi.
3. Each group will present on how they will approach the meeting.
4. In doing so, students will support their given strategy with reference to matters such as (but not restricted to):
 - (i) Cultural dimensions (Hofstede, 1980)
 - (ii) Meetings and decision making (Noma, 2009)
5. Each group will consider:
 - (i) The expected behaviours of the other person based on experience, and cultural theory; and,
 - (ii) Their own ‘natural’ approach to a meeting of this significance, and any changes they should consider (Fells, 2012).

Teaching Resources

- (i) Liu, Chua & Stahl (2010, 469) refer to the “quality of communication experience (QCE)” in a cross-cultural negotiation setting. The authors explore clarity, level of responsiveness and degree of comfort as the dimensions that contribute to the QCE. Students may refer to this and other models of negotiation in providing advice.
- (ii) Students may consider the process of negotiation more holistically. Robbins et al. (2017) refer to a five-stage negotiation process from preparation, to implementation. Students can reflect on missed opportunities by Jenny and Hitoshi to engage in a more structured negotiation process, noting the potential for the planned meeting to become adversarial (Fells, 2012).
- (iii) The case demonstrates an avoidance of conflict between Jenny and Hitoshi and provides opportunities for students to examine positive conflict as an enabler of high performance (Keller & Meaney, 2017). Conversely, students might examine factors domain to dysfunctional teams, such as fear of conflict and

artificial harmony (Lencioni, 2005). iv. Finally, students may explore how personal characteristics influence conflict resolution. Thomas and Kilmann (1977) and Van de Vliert (1997) examine how individuals approach negotiation. While some focus on problem solving, others either avoid conflict, or force a win/lose.

Teaching Activity #2

1. Morale is low and staff turnover/absenteeism is rising; we also know that Amy King, Head of HR Management has raised these concerns with Jenny.
2. Scenario (with students assuming the role of Amy):
 - (i) The strategy meeting was civil, with minimal results.
 - (ii) Before returning home, Hitoshi asked to speak with you (separately).
 - (iii) He asked you to prepare a human resource management plan (recruitment, engagement, development, reward, absenteeism and turnover), focusing on the strategic goals of growth, productivity and customer satisfaction.
 - (iv) Hitoshi guided you to consider all employees, starting with the General Manager.
 - v. Moreover, you will fly to Tokyo next month to present to Hitoshi and Osamu Ohga.
 - (vi) Jenny is aware of his request, and will be available to support you.
 - (vii) You know best practice would comprise you and Jenny developing the plan together, with input from the senior leadership team.
 - (viii) However, given your briefing, best practice is not going to occur on this occasion.
3. As an in-class exercise, the human resource management plan developed by students will be at a high-level. Regardless, students should support their thinking with reference to global human resource strategies.

Teaching Resources

- (i) Although Jenny and Hitoshi worked globally, their cross-cultural experience is limited. Story et al. (2014) refer to the criticality of employee development in the creation of a global mindset. The authors discuss the importance of exposure to different cultures achieved through education, overseas business trips, and international assignments. To date, Jenny and her team have resided in Perth, with diminishing visits from Hitoshi. Students may consider strategies such staff exchanges between Perth and Tokyo as a means of developing a global mindset at senior and middle management levels.
- (ii) By analysing ethnocentric, polycentric, and geocentric global human resource strategies, students (in their role as Amy) have the opportunity to evaluate the polycentric strategy adopted by LHG (Karadjova-Stoev & Mujtaba, 2016;

Popescu & Avram (Ratiu), 2013). In doing so, students may explore changes to this strategy, informed by local experience, and hindsight.

Teaching Activity #3

1. Case Study as an Assessment (Individual/Group).
2. The Assessment could focus on global human resource management strategies and consider:
 - (i) Was a polycentric approach the right decision? If so, why? Additionally, and with hindsight, how could the implementation have been more effective?
 - (ii) Was an ethnocentric or geocentric human resource management strategy viable? If so, how would this have been characterised, and implemented?
3. This Assessment allows students to research extensively, extending their response to consider Hitoshi and Jenny's leadership style.

Teaching Activity #3 Teaching Resources

- (i) Rowley and Ulrich (2012) explore Asian leadership, observing that Japanese methods that work domestically, often fail outside of Japan. Students have the opportunity to examine Jenny and Hitoshi's leadership styles and consider strategies that challenge traditional "mental models" in building consensus (Liu et al., 2012).
- (ii) Communication across cultures adds complexity; however, social information exchanges improve when the host and parent country nationals understand each other's culture (Ravlin et al., 2014). Jenny and Hitoshi studied crosscultural communication, but with limited opportunities to embed the theory.

Students may consider expatriate strategies as a means of exposing both leaders to contrasting cultures (Story et al., 2014).

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Chapter 6

High-End Restaurants During COVID-19: The Beginning of a New Fine-Dining Era?



Sandra Cherro Osorio, Ana Delevska, and Peter Matheis

Abstract High-end restaurants are commonly known for presenting unique culinary experiences based on the utilisation of different ingredients, innovative dishes, level of service and above average prices. Some of these restaurants have greatly contributed to the promotion of certain regions or even countries. Their business model is generally associated with high value for money based on the particularities of their offering. When the COVID-19 emergency interventions were imposed across the globe in early 2020, the sector was catapulted into an unprecedented crisis. High-end restaurants suffered immediate repercussions which forced them to resort to drastic measures to stay afloat. High-end restaurants across the globe adopted some of the most notable pivots, changing their core value proposition, which initiated changes in most other aspects of their business model. This observational case study explores the innovative practices developed and delivered by these restaurants during COVID-19 and poses questions for the future of high-end restaurant experiences. The case study aims to apply knowledge of business models and the Business Model Canvas as a conceptual tool to encourage visioning and strategising around the high-end dining concept.

Keywords Hospitality industry · COVID-19 · High-end restaurants · Fine-dining · Dining experience · Business model canvas · Gastronomy

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Introduction

In recent decades, the importance of gastronomy has extended to include its connections to the food supply chain particularly local stakeholders involved in the production, preparation and delivery of gastronomic experiences (UNWTO and Basque Culinary Centre, 2019). Generally created and run by local chefs, high-end restaurants are perceived as playing a substantive role in the promotion of a country's gastronomy because their unique offering is based on dishes prepared with distinctive local ingredients or traditions. These restaurants attract a diverse clientele, both residents and foreigners that seek to enjoy a different culinary experience that cannot be easily replicated in other settings. This year, however, high-end restaurants have been practically forced to pivot their business model due to COVID-19. What lies ahead for high-end dining experiences post COVID-19?

The aim of this case study is to encourage an analysis of the effects of COVID-19 on the business model of high-end restaurants, examine current innovative initiatives around the world, and with the assistance of the Business Model Canvas, allow readers to propose potential long-term solutions that will allow high-end restaurants to reinvent themselves.

Background

High-end restaurants tend to rely on transformation of local dishes, use of different ingredients, distinctive menu selection, decoration and aesthetic standards linked to health and cleanliness. These restaurants present a culinary offer associated with a higher price due to the particularities of the dining experience they offer. At these restaurants, chefs tend to be influenced by 'nouvelle cuisine' as they become inventive actors with a focus on creativity and individualism (Rao et al., 2003; Sloan, 2012; Wood, 2012). Another characteristic of nouvelle cuisine is the utilisation of ingredients from diverse local areas (Santich, 2009). As such, highend restaurants present creations that rely on fresh and seasonal ingredients linked to their provenance. In effect, these restaurants may employ native produce like the case of D.O.M (Brazil) run by Chef Alex Atala who uses Indigenous Amazonian ingredients, Central (Peru) with Chef Virgilio Martinez that relies on native and relatively unknown foodstuff, or Chef Dan Hunter at Brae (Australia) who uses locally produced ingredients.

At high-end restaurants, chefs have attempted to generate or improve linkages to the food supply chain primarily by collaborating with small producers located in regional areas. The focus on produce locality has resulted in initiatives that seek to connect all aspects of food production and distribution including generation of networks, effective relationships to farming or fishing sectors and development of rural areas. For instance, Chef Eneko Atxa (Spain) created the digital platform Bestfarmers to promote small producers all over the world. The importance of networking and

knowledge exchange can then greatly contribute to the sustainable development of the food sector (Everett, 2016). By directly dealing with small producers, high-end restaurants can have access to fresh and seasonal produce but more importantly, provide these producers with direct economic benefits, recognition to their expertise and extended connections to the restaurant sector.

Within the tourism context, high-end restaurants play a substantive role as they are commonly used to promote a destination or to diversify the existing tourism offering. In effect, an increased number of regions rely on high-end restaurants as important components of their competitive advantage. Furthermore, the international recognition of high-end restaurants can also contribute to enhance a destination's appeal. For instance, Peru, a country located in South America, became a gastronomic destination due in great part to Peruvian high-end restaurants created by renowned local chefs. Restaurants that have been featured in the Pellegrino and Acqua Panna List of 'The World's 50 Best Restaurants' include Central (sixth place in 2019 and the Best restaurant in South America), Maido (tenth place) and Astrid y Gaston (39th place in 2018 and 67th place in 2019).

COVID-19 – A Key Milestone for the Global Restaurant Sector

In early 2020, the world came to stop after COVID-19, a new strain of coronavirus affecting humans, rapidly spread throughout the world. The virus has infected nearly 30 million people and resulted in close to a million deaths globally by September 2020 (John Hopkins University 2020). Many countries introduced emergency responses that included lockdowns, quarantine for travellers and bans to travel in or out of an area. This resulted in the closure of schools, retail shops, restaurants, pubs, bars and other non-essential businesses. Emergency responses also included the introduction of social distancing requirements, cancellation of events, and banned gatherings of people over certain numbers (Gössling et al., 2020). The virus and resulting restrictions disrupted every facet of normal life and work. Individuals and businesses around the globe were compelled to develop new habits, work from home, study remotely, and learn new phrases like “social distancing”, “flattening the curve” and “contact tracing”. The imposed restrictions severely challenged the world (Gössling et al., 2020), disrupted social life, the global economy, and numerous industries.

As countries closed their national borders to contain the infection, the effects on tourism, hospitality and events were devastating, with projected impacts estimated at \$910 billion US lost in exports and 100–120 million jobs at risk (UNWTO, 2019). Disruptions in travel and mobility caused a direct economic devastation in other related industries including agriculture, commerce and entertainment among others. The hospitality industry, in particular restaurants, faced the closure of establishments and nil consumer demand (Dube et al., 2020). As the pandemic tightened its

grip on the world, restaurant lights were going out, sending the entire world’s gastronomic culture in limbo. Government lockdowns, health and safety concerns and dine-in restrictions caused the hospitality industry to face imminent collapse, prompting restaurants to think outside the box to generate innovative solutions to help them stay afloat during the crisis. A redesign of their offer was necessary if restaurants were going to survive this challenging period. Many turned to delivery services in an attempt to remain in business.

At the beginning, high-end restaurants may not have considered delivery as a feasible solution (Gillison, 2020). Most of these prestigious restaurants are based around an intimate dining experience, carefully engineered menu, setting, ambiance and service – all designed to enhance dining to a unique level. The ‘experience’ upscale restaurants sell is difficult to recreate in a takeout box, therefore it required extra creativity to keep revenue flowing, in light of seeing their revenues decline by 85% during COVID-19 (see Fig. 6.1). Furthermore, the increased unemployment

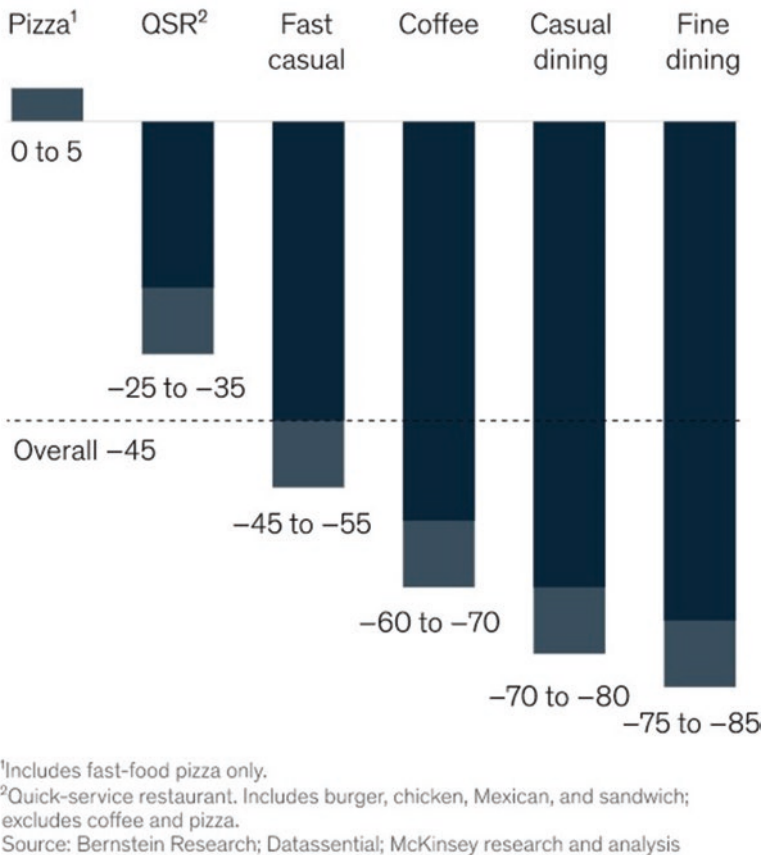


Fig. 6.1 US sales by restaurant type during COVID-19 crisis, percentage change from 2019 as of 17th April 2020. (Source: Haas et al., 2020)

rate and many countries going into recession (WEF, 2020) posed the risk of potential customers having reservations on how to allocate their discretionary income (Baker et al., 2020). High-end restaurants around the globe were then forced to revise their whole business model – how they create, deliver and capture value in the post-COVID-19 era.

Business Model Canvas

This section provides the theoretical basis aimed to guide the analysis of the challenges presented in this case study. This is where readers will find necessary information about what a business model is, familiarise themselves with the Business Model Canvas and understand the strategic role of a business model for high-end restaurants.

‘Business’ is an economic activity that takes place in competitive market settings, represented by the exchange of products and services for money (Casadesus-Masanell & Heilbron, 2015).

So then, what is a ‘business model’? A number of researchers have adopted the term in reference to “the way of doing business” (see Hamel, 2002; Johnson, 2010; Kim & Mauborgne, 2005; Schwalm et al., 2009). Other scholars have more specifically suggested that a business model represents the underlying rationale in relation to the company’s strategic choices aimed at creating, delivering, and capturing value (Shafer et al., 2005; Osterwalder et al., 2005). Osterwalder and Pigneur (2010), who have conducted extensive research on the ontology of business models as a concept, have identified nine core building blocks that illustrate the objects, concepts and their relationships, which express the logic underlying a business. They named this conceptual tool the Business Model Canvas (BMC). The aim behind the BMC was to provide a simple and flexible tool that can be developed rapidly and would allow fluid iteration of the business model. In a single page view, the BMC provides an overview of the core aspects of a business: its offering, customer interface, infrastructure, and finances (see Fig. 6.2).

The canvas provides a framework to describe the value a business offers to one or several market segments, the architecture of the company and its network of partners that facilitate how the organisation creates, delivers, and captures this value to generate sustainable revenue streams. The central pillar around which all elements revolve is the Value Proposition. This is the reason why the business exists, and it ultimately determines the direction of the company or other core decisions and activities. Table 6.1 provides a summary of the nine elements of the BMC, including a set of questions for each that are used to validate the model and corroborate its internal strength.

The BMC is used to guide systematic thinking through each of the building blocks to devise a business model. It also allows businesses to understand how all aspects interlink, providing cohesion to the overall business model. The tool serves

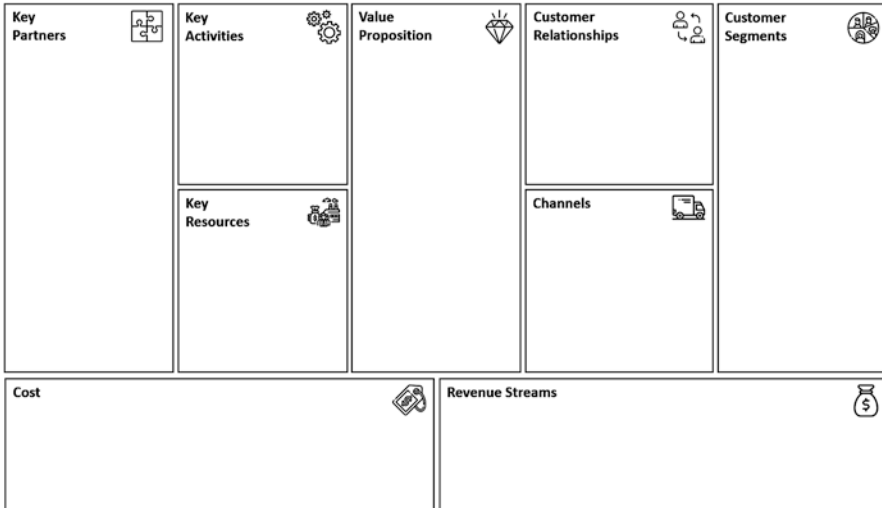


Fig. 6.2 Business Model Canvas Template. (Adapted from The Strategy Group, 2018)

as a means to simultaneously consider each aspect of the business individually but also as a whole.

Today’s dynamic market imposes a number of challenges on businesses that force them to be agile and innovative. The visual nature of the canvas itself aids comprehension by enabling users to see the overall picture of the business to identify areas of strength and weakness and exercise constant reflection, thereby fostering an agile mentality of planning and iteration. This makes the BMC a useful framework to discover, visualise, ratify, and position a business model for growth and innovation (Osterwalder & Pigneur, 2010). In this sense, the BMC moves innovation out of the ‘in-theory’ stage and into the planning stage.

The next section introduces the reader to the short-term responses of high-end restaurants during COVID-19. The section discusses ways in which high-end restaurants adapted their business models. This information will serve to set the scene for the analysis of the case study.

High-End Restaurants During COVID-19

This section introduces the diverse responses from high-end restaurants that have creatively and proactively changed the state of the dining scene due to the pandemic. Data presented below were gathered by reviewing high-end restaurants’ websites and social media pages. The findings show that responses reflected a number of common themes, namely strengthened collaboration with the local supply chain; distribution mode; solution-oriented adaptation of the offering; increased focus on health and safety; and virtualisation of the dining and cooking experience (see Table 6.1).

Table 6.1 High-end restaurants during COVID-19

Location	Restaurant	Status	Covid-19 Pivot
The United States	Trois Mec	One Michelin star	Cook meals to support the not-for-profit World Central Kitchen
The United States	Blue Hill at Stone Barns	29th place on the list of the World's 50 Best Restaurants 2019	Food box for people to cook at home
The United States	Alinea	37th place on the list of the World's 50 Best Restaurants	Delivery of comfort food
Peru	Central	Best restaurant in Latin America 2019	Investment in their research centre Mater Iniciativa
Peru	Maido	10th place on the list of the World's 50 Best Restaurants 2019	Food delivery and pre-cooked meals available at supermarkets
Mexico	Pujol	12th place on the list of the World's 50 Best Restaurants 2019	Food baskets with fresh products from suppliers
Chile	Restaurant 040	37th place on the list of the World's 50 Best Restaurants 2019	Accepting pre-paid and gift cards
Argentina	Don Julio	34th place on the list of the World's 50 Best Restaurants 2019	Closed until further notice
Australia	Attica	Top restaurant in Australia 2019 based on the list of the World's Best Restaurants	Turned their prestige restaurant into a bakery and started offering a meal home delivery service
Singapore	Odette	Best Restaurant in Asia 2019 and 18th place on the list of the World's 50 Best Restaurants 2019	Introduced contactless kerbside pickup service for all takeaway orders, fully cashless payment system and invested in innovative filtration technologies to sterilise both the air and surfaces
France	Septime	15th place on the list of the World's 50 Best Restaurants 2019	Launched 'Septime à la Maison' (Septime at Home) for daily delivery throughout Paris
Denmark	Noma	2nd place on the list of the World's 50 Best Restaurants 2019	Introduced burgers on the menu
India	Indian Accent	13th place on the list of Asia's 50 Best Restaurants 2019	Closed until further notice
Mexico	Quintonil	24th place on the list of the World's 50 Best Restaurants 2019	Created limited takeout options
Denmark	Relae	One Michelin star	Repurposed its Mirabelle bakery and restaurant as a grocery store selling fresh pasta, bread, pastry and cheese

(continued)

Table 6.1 (continued)

Location	Restaurant	Status	Covid-19 Pivot
Germany	Ernst	One Michelin star	New service selling produce boxes to locals
The United States	Atelier Crenn	35th place on the list of the World's 50 Best Restaurants 2019	Put together healthy vegan food kits for takeout using supplies from their biodynamic farm

Strengthened Collaboration with the Local Supply Chain

This pandemic has served to reinforce the collaboration between high-end restaurants and local producers. In some cases, this ongoing collaboration had slightly changed from being limited to the kitchen to becoming a key part of the new offering overall. As such, innovative chefs and restaurateurs from around the world came up with various ideas to support small farmers whose produce would otherwise go to waste while restaurants were closed (Price, 2020). Restaurant Ernst in Berlin created a new service selling produce boxes to locals, while Atelier Crenn in San Francisco put together healthy vegan food kits for takeout using supplies from biodynamic farm Bleu Belle.

Distribution Mode

Some of the most prestigious and innovative restaurants in the world – Maido in Peru, Alinea in Chicago, Attica in Australia, Pujol in Mexico among others – resorted to offering takeaway and home delivery of meals. The list also includes upscale restaurants in the cradle of modern European gastronomy, France, with Parisian restaurant Septime launching ‘Septime à la Maison’ (‘Septime at Home’) for daily delivery throughout Paris. Pivoting from business models that have never previously offered takeaway or delivery, the reinvention of high-end restaurants during the COVID-19 pandemic took energy and thoughtfulness to maintain not only customer loyalty, but also the jobs of restaurant staff. This shift could be attributed to both the large turndown in trade triggered by the pandemic, as well as the requirements to comply with health recommendations and social distancing requirements imposed by governments around the world.

Offering takeaway and home delivery was a novelty for many of them, albeit a successful one. In contrast with many fast-casual restaurants which take advantage of the convenience of Uber Eats, Deliveroo, and GrubHub, high-end restaurants do not generally sign up for third-party delivery applications. Some of them opted for mobilising their regular staff to fulfil deliveries in an attempt to keep as many people employed as possible, with waiters having become delivery drivers. Attica, for instance, established their own in-house online ordering and delivery system (Attica, 2020). Owing to this decision, they were able to engage all their existing employees in the process and hired additional staff to help meet the high demand for their

offering. Takeaway became the hot new reservation. As customers tried to get their hands on Michelin-starred kitchen's limited supply of takeout meals at the fraction of the price, this new takeaway model helped reduce some of the impact of the pandemic on the industry's viability (Dube et al., 2020).

Solution-Oriented Adaptation of the Offering

In a dining world where the value for money had changed, many high-end restaurants sacrificed their identity, authenticity, what they are renowned for, trading molecular gastronomy for less modernist food – essentially focusing on a solution-oriented adaptation. Exclusive restaurants, which may have typically offered an 11-course tasting menu or three-hour dining experience were now changing to indulging comfort food or home-cooked style meals. They were forced to innovate for survival, however, with less resources and tighter pockets. Closed for dine-in services, high-end restaurants launched innovative initiatives to allow customers to enjoy their locally sourced and high-quality cooking. They transformed the style of their offering into a more accessible experience aimed at local gourmets and gastronomes, who represented a new market for many of them. This required a careful reengineering of the menu, which became simpler due to the limited resources and staff available at restaurants. They were also forced to remove hard-to-transport dishes to simplify the delivery process. Alinea, for example, introduced a comfort food menu and streamlined their operations to create set offerings instead of an à la carte option (see Fig. 6.3), while Peruvian jewel, Astrid y Gaston, launched 'A&T



Fig. 6.3 Alinea's weekly offering. (Source: AlineaGroup Instagram page)

at Home' with a tribute menu that includes the most popular dishes throughout their 26-year history.

Increased Focus on Health and Safety

The focus quickly and expectedly shifted to a higher level of safety and hygiene. These restaurants not only implemented sanitation protocols, but they ensured that customers were aware that safety and cleanliness were a priority. Odette, Singapore and Asia's number one restaurant, introduced contactless kerbside pickup service for all takeaway orders carefully packed in attractive boxes, and invested in installing new purification systems to maintain the surface and air quality in their premises in a bid to instil a sense of safety in guests and staff (Odette, 2020) (see Fig. 6.4). Similarly, Brae Restaurant, Australia, also committed to using electronic menus that



Fig. 6.4 Odette's commitment to safety and hygiene. (Source: Odette at Home Instagram page)

will be sanitised between uses and available prior to the restaurant visit, while paper menus would be single-use (Brae, 2020).

Virtualisation of Dining and Cooking Experience

Many of the world’s more influential chefs remained in good spirits despite the challenging situation, posting upbeat meal and cocktail recipes on social media to keep their followers entertained. During isolation, renowned chefs swapped the restaurant kitchen for their homes and began posting recipes and cooking videos in YouTube or Instagram. Chef Massimo Bottura of the Osteria Franciscana (Best World Restaurant in 2016 and 2018) in Italy used the hashtag *KitchenQuarantine* and he posted daily cooking videos accompanied by his family (see Fig. 6.5). Another famous chef, Andoni Aduriz of Mugaritz, Spain, created the hashtag *YoMeQuedoEnCasaCocinando* (Spanish for ‘I stay at home cooking’) that he used



Fig. 6.5 Massimo Bottura #KitchenQuarantine Instagram videos. (Source: Massimo Bottura’s Instagram page, Video link: https://www.instagram.com/tv/B9148NvJexL/?utm_source=ig_embed)



Fig. 6.5 (continued)

to stream recipes on Instagram (see Fig. 6.6). Attica's entrepreneurial chef, Ben Shewry, broadcasted live "cookalong" Instagram demonstrations. Ensuring to keep fans entertained during lockdown, Shewry led his celebrity friend and Australian comedian, Hamish Blake, through the process of preparing a two-course romantic dinner, encouraging viewers to follow along with the step-by-step instructions (see Fig. 6.7).

Looking to the Future

The pandemic forced many upscale restaurants to learn valuable lessons and become innovative to survive. However, what does the future hold? Restaurant Septime, in Paris, has acknowledged on their website that due to the popularity of their alternative takeout offering, they were considering the possibility of offering the service year-round (Septime, 2020). This raises important questions – what lies ahead for high-end dining experiences post COVID-19? Is a more casual restaurant model here to stay after the COVID-19 restrictions lift? Would high-end restaurants pivot



Fig. 6.6 Andoni Aduriz #YoMeQuedoEnCasaCocinando Instagram video. (Source: Andoni Aduriz's Instagram page, Video link: <https://www.instagram.com/p/CBkio7KIKo/>)

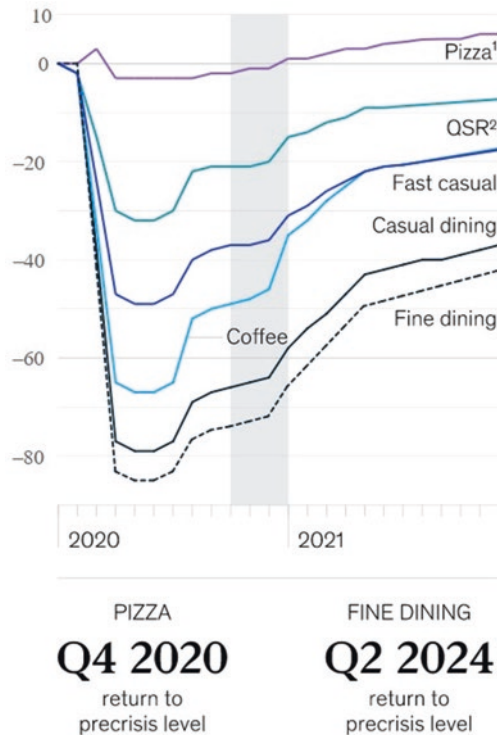
towards more concise menus with more substance? Would once elaborate high-end dining experiences take on new culinary identities or iterations and continue to involve off-premise offerings to meet the demands of the community? Will creative ideas that emerged through the chaos be sustained? Will high-end restaurants become more creative in their offering in future – will they diversify their core offering? How will they be able to continue claiming their distinctiveness?

Restaurants around the world will be subject to strict hygiene protocols and seating arrangements, enabling fewer patrons to enjoy the restaurant experience at one time, both indoor and outdoor. While in the past, high-end restaurants may have relied on a small clientele, the question remains to whether customers are still willing to pay above-average prices for their dining experience. With attributes like minimal off-premise presence and high emphasis on value-based menu items, high-end restaurants may need to seek innovative solutions in order to remain both relevant and profitable in the near future. Modelling developed by Haas et al. (2020) (see Fig. 6.8) shows the shape of recovery of the restaurant industry by restaurant type. High-end restaurants are expected to have the slowest recovery compared to the rest of the sector, however the authors acknowledge that those restaurants which plan ahead to adapt their business model to the 'new normal' will be better positioned to return to financial stability quicker (Haas et al., 2020). This new environment has



Fig. 6.7 Ben Shewry’s live “cookalong” Instagram demonstrations. (Source: Ben Shewry’s Instagram page)

Fig. 6.8 Projected sales by restaurant type. (Source: Haas et al., 2020)



amplified the need to consider not only how to address customer needs more effectively and efficiently, but also how to capture value from providing new or modified products and services by high-end restaurants. Without a welldeveloped business model, these restaurants will fail to either deliver or capture value from their innovations (Teece, 2010). Given the simplicity, flexibility and intuitiveness of the BMC, it makes an ideal tool to systematically think through and generate, develop, and iterate innovative solutions for high-end restaurants post COVID-19, at a time when reinventing themselves will be more important than ever (Table 6.2).

Your Challenge

As consultants, you have been asked to analyse the recent trends and influences on the highend restaurant sector and provide a written report to a client – a selected restaurant from the Pellegrini list of 50 Best Restaurants in the World. The restaurant owner has also requested that you provide recommendations for their business model to help the restaurant create, deliver, and capture more value, as the world recovers from one of the greatest crises in modern history. In your report to the client, consider addressing the following aspects:

- How has the value proposition of high-end restaurants changed during the COVID-19 crisis? How do you see it change in the near and long-term future? What are your recommendations for the future value proposition of the selected restaurant?
- Why have high-end restaurants refocused their customer targeting strategy? Are they likely to sustain this approach – and would you recommend this as a future strategy to your client?
- How has the altered value proposition of fine-dining restaurants driven a change in the type of customer relationships they have had to develop and nurture, and the type of channels (distribution and promotion) they have had to utilise? How are these aspects going to be affected in future? What are your recommendations to your client in relation to these two building blocks?
- Will the value that customers are willing to pay for change in future? How could this affect the income and revenue streams of high-end restaurants after the pandemic? What recommendations would you offer your client to help neutralise this threat?
- What effect would your recommendations have on the running costs of your client? How could the restaurant create and sustain a more profitable business model?
- Would your recommended value proposition, channels, customer relationships, and revenue streams require the adoption of new key activities and key resources?
- Considering the supply chain, and reflecting on the importance of fine dining restaurants for destinations, what key partners could your client collaborate with to create greater value for their customers and communities overall?
- How can your upscale client thrive in the ‘new normal’?

Table 6.2 BMC building blocks

Pillar	BMC building block	Description
Product / service	Value Proposition	<p>Describes the bundle of products and services that create value for a specific Customer Segment:</p> <ul style="list-style-type: none"> • What value does the business deliver to the customer? • Which one of the customer's problems is the business helping to solve? • Which customer needs is the business satisfying? • What bundles of products and services is the business offering to each Customer Segment?
Customer Interface	Customer segments	<p>Defines the different groups of people or organisations an enterprise aims to reach and serve:</p> <ul style="list-style-type: none"> • For whom is the business creating value? • Who are the most important customers?
	Channels	<p>Describes how a company communicates with and reaches its Customer Segments to deliver a Value Proposition:</p> <ul style="list-style-type: none"> • Through which Channels do the Customer Segments want to be reached? • How are they reached now? • How are the Channels integrated? • Which ones work best? • Which ones are most cost-efficient? • How are they integrated with customer routines?
	Customer relationships	<p>Describes the types of relationships a company establishes with specific Customer Segments:</p> <ul style="list-style-type: none"> • What type of relationship does each of the Customer Segments expect the business to establish and maintain with them? • Which ones have been established? • How costly are they? • How are they integrated with the rest of the business model?
Infrastructure Management	Key activities	<p>Describes the most important things a company must do to make its business model work:</p> <ul style="list-style-type: none"> • What Key Activities do the Value Propositions require? The Distribution Channels? Customer Relationships? Revenue Streams?
	Key resources	<p>Describes the most important assets required to make a business model work:</p> <ul style="list-style-type: none"> • What Key Resources do the Value Propositions require? The Distribution Channels? Customer Relationships? Revenue Streams?
	Key partnerships	<p>Describes the network of suppliers and partners that make the business model work:</p> <ul style="list-style-type: none"> • Who are the company's Key Partners? • Who are the suppliers? • Which Key Resources is the company acquiring from partners? • Which Key Activities do partners perform?
Financial Considerations	Cost structure	<p>Describes all costs incurred to operate a business model:</p> <ul style="list-style-type: none"> • What are the most important costs inherent in the business model? • Which Key Resources are most expensive? • Which Key Activities are most expensive?
	Revenue streams	<p>Represents the cash a company generates from each Customer Segment (costs must be subtracted from revenues to create earnings):</p> <ul style="list-style-type: none"> • For what value are customers willing to pay? • For what do they currently pay?

Source: Adapted from Osterwalder and Pigneur (2010)

A. Teaching Note

Case Summary

In recent decades, the importance of gastronomy has extended to include its connections to the food supply chain particularly local stakeholders involved in the production, preparation and delivery of gastronomic experiences (UNWTO and Basque Culinary Centre 2019). Generally created and run by local chefs, high-end restaurants are perceived as playing a substantive role in the promotion of a country's gastronomy because their unique offering is based on dishes prepared with distinctive local ingredients or traditions. These restaurants attract a diverse clientele, both residents and foreigners that seek to enjoy a different culinary experience that cannot be easily replicated in other settings. This year, however, high-end restaurants have been practically forced to pivot their business model due to COVID-19. The aim of this case study is for students to analyse the effects of COVID-19 on the business model of high-end restaurants, examine current innovative initiatives around the world, and with the assistance of the Business Model Canvas, propose potential long-term solutions that will allow high-end restaurants to maintain their value proposition. The teaching objectives will require students to work in groups to critically analyse and discuss the present and future options for high-end restaurants.

Teaching and Learning Objectives

1. Identify the importance of high-end restaurants for destinations and communities

- (a) Tourism promotion (unique point of differentiation, international recognition)
- (b) Linkages to local food supply chain (resources, stakeholders)

High-end restaurants have provided destinations with a distinctive way of differentiation. By offering dishes that are refined transformations of local culinary or based on local resources, chefs around the world have created restaurants that hold unique offers. This in turn has served for tourism promotion as many of these restaurants and their chefs are internationally renowned. While contributing to the destination attractiveness, high-end restaurants have become an important promoter of local produce as the source of those unique culinary experiences.

2. Assess the effects of COVID-19 on high-end restaurants around the world

- (a) Solution-oriented adaptation
- (b) Distribution mode
- (c) Support networks (local and international)

Due to the worldwide pandemic, high-end restaurants across the world have been forced to rapidly adjust their offer in order to remain operative. Those res-

restaurants that were quick to respond to the challenge had adapted by moving from sophisticated dining experiences to comfort food, include delivery services or use virtual tools. Streaming cooking classes, for instance, have resulted in broadening the customer base for audiences that perhaps could not have been able to visit those restaurants before.

High-end restaurants have continued to use locally sourced produce and their role in supporting local farmers has gained greater importance. In effect, renowned chefs around the world have created support networks both locally and internationally. Many of these chefs currently use their social media platforms to promote smaller businesses while others have collaborated to generate resources to support the industry.

3. *Apply the Business Model Canvas as a tool to develop solutions to complex business challenges*

- (a) Business Model Canvas as theoretical framework and its strategic role for businesses
- (b) Importance of BMC to generate innovative solutions

Each business enterprise, either explicitly or implicitly, employs a particular business model that defines how the organisation creates, delivers, and captures value. The Business Model Canvas is an entrepreneurial tool that enables the visualisation, design and reinvention of a business model. The tool allows business to develop a clear view of their value proposition, operations, customers and financial aspects, as well as how all business components relate to each other. It can also serve as an overarching framework for developing a business strategy or a prioritised action plan by addressing the nine building blocks the tool is comprised of. The challenges imposed on businesses by the COVID-19 pandemic have prompted many businesses, including high-end restaurants to re-evaluate the value propositions they present to customers and innovate. However, innovation by itself does not automatically guarantee business or economic success – the effort should be coupled with the development of a business model which defines its ‘capturing value’ strategies. Given the simplicity, flexibility and intuitiveness of the BMC, it may be an ideal tool to systematically think through and generate, develop and iterate innovative solutions for high-end restaurants post COVID-19.

Target Audience

Suitable for students of Hospitality and Tourism Management; third-year subjects. The case study may be suitable for programs with a focus on innovation, as well as final-year capstone research projects, given that it intends to synthesise interdisciplinary knowledge that students may have acquired throughout the course of their degree.

As recommended prerequisites, students should have at least basic knowledge of value proposition development, customer segmentation, types of distribution and promotion channels, types of resources, and should be able to identify different types of business costs.

Teaching Approach and Strategy

It is recommended that at least two class sessions are dedicated to the case study.

The first session can start with an introduction of recent trends in the food and beverage / restaurant industry. This can incorporate a group discussion of outdated trends in the industry, trends the sector is surviving on, and trends the industry may need to be aware of and might need to adapt to in the coming future. This can be followed by a discussion of the role of innovation in the food and beverage industry, by emphasising that restaurants need to continually look for new ways to serve customers more effectively and efficiently to ‘survive’. Students may be asked, individually or in groups, to research and share with the class examples of recent innovations in the restaurant (or food and beverage) industry. The session can also highlight the impact of COVID-19 and related restrictions on the restaurant sector around the world.

The second session can introduce the role and importance of business models, with a specific focus on the Business Model Canvas and development of the restaurant concept. The session should also remind students of the importance of innovation as a mechanism for business survival in today’s dynamic environment and emphasise the need for businesses to become agile. The case study can be assigned as a pre-reading and used to encourage some initial brainstorming and future-driven thinking around the fine dining concept and development of viable business models.

The case study activity itself may be completed in groups of three to four students. The groups may be allocated a specific restaurant from the Pellegrini list of 50 Best Restaurants in the World by teaching staff, or they could be given the responsibility to select their ‘client’ from the list to provide recommendations to.










Example Responses

The value proposition of high-end restaurants experienced a significant change during the pandemic. With the gastronomical extravaganza unable to be recreated in a takeout box, many restaurants had to change their core offering and develop new ‘delivery-appropriate’ menu options in an attempt to appeal to a different customer base than normal. With national borders remaining closed and the uncertainty surrounding international travel, the approach to capture domestic demand is likely to remain a primary focus for upscale restaurants, at least in the foreseeable future.

These restaurants should also aim to retain consumers who became firsttime customers during the pivot through carefully developed CRM strategies.

Industry profit margins are expected to be squeezed due to COVID-19. Fixed costs have remained the same, however some variable costs, like engaging waiters, may have decreased, whereas costs related to delivery (either in-house or through a third-party) and adaption of the restaurant operations would have likely increased. Restaurants’ bottom lines are also expected to be affected by strict hygiene protocols and restrictions on the maximum number of patrons per space. The ‘old’ business model may make it difficult to cover restaurants’ expenses, which will result in higher costs that restaurants may transfer to consumers in the form of higher prices. Should upscale restaurants decide to stick with the business model developed during COVID-19, in an attempt to lower costs, they may opt for in-house delivery that makes higher margins compared to third-party apps that take a substantial cut from restaurants for each delivery order placed. We may see upscale restaurants outfitting their websites with online order components to cut out third-party delivery service apps.

Appendix 6.1 Suggested Business Model Canvas Template

<p>Key Partners </p> <ul style="list-style-type: none"> Who are the key partners? Who are the key suppliers? Which key resources is the restaurant acquiring from the partners? Which key activities do partners perform? 	<p>Key Activities </p> <ul style="list-style-type: none"> What key activities does the value proposition require? The distribution channel(s)? Customer relationships? Revenue streams? <p>Key Resources </p> <ul style="list-style-type: none"> What key resources does the value proposition require? The distribution channel(s)? Customer relationships? Revenue streams? 	<p>Value Proposition </p> <ul style="list-style-type: none"> What value does the restaurant deliver to the customers? Which customer problems is it helping to solve? Which customer needs is it satisfying? 	<p>Customer Relationships </p> <ul style="list-style-type: none"> What type of relationships does each customer segment expect the restaurant to establish and maintain with them? How costly are they? <p>Channels </p> <ul style="list-style-type: none"> Through which channels do the customer segments want to be reached? How are the channels integrated? Which ones work best? Which ones are cost-efficient? 	<p>Customer Segments </p> <ul style="list-style-type: none"> For whom is the restaurant creating value? Who are their key customer segments?
<p>Cost </p> <ul style="list-style-type: none"> What are the most important costs inherent in the business model? Which key resources are the most expensive? Which key activities are the most expensive? 		<p>Revenue Streams </p> <ul style="list-style-type: none"> What are the restaurant’s key sources of income? What value are customers really willing to pay for? What are the restaurant’s pricing tactics? 		

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Further Reading

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Part III

Operations

Part III moves to the operations of tourism and hospitality businesses, with five chapters on the operation of hotels and resorts.

The importance of interpersonal communication between employees and customers is the focus of **Chapter 7**. Presenting the case of a fictional 5-star hotel, Madalyn Scerri and Rajka Presbury use the service language model to analyse the language used during service encounters in a range of settings including front desk, restaurant, concierge and porter interactions with guests.

Climate change and its impact on tourism destinations and resorts is the focus of **Chapter 8** by Zdenka Gabrielova and Marcela Fang. A case study of the Hayman Island Resort in Queensland, Australia, enables students to analyse the operational managerial implications of climate change when seeking to optimise the sustainable performance of coastal and island resorts.

The implementation of revenue management strategies in the accommodation sector is the focus of **Chapter 9** by Antoine Bisson. The chapter presents performance and market data for a fictional mid-range hotel which is underperforming relative to other Australian properties in the owner's portfolio. The case considers how hotel management styles and revenue management strategies inter-relate.

In **Chapter 10**, the practice of outsourcing provides a context for students to analyse ethical issues in the tourism and hospitality industry. Blanca Camargo used the case of the MexHospitality in order to investigate the issues and processes of how a new member of the Board of Directors evaluates various business and ethical issues when outsourcing a range of hotel jobs as part of a refocused business strategy.

Finally, in this section, in **Chapter 11**, Tahir Sufi's case study of the Indian hotel industry explores hotel rating systems. Ratings act as a signalling mechanism regarding expectations of facilities and services, and the case includes data from hotel managers and customers on how hotel classification influences the perception of hotel service quality.

Chapter 7

The Power of Words: A Case Study of Service Language in an Australian Five-Star Hotel



Madalyn Scerri and Rajka Presbury

Abstract Service organisations rely heavily on employees' abilities to communicate well with guests and adapt their communication to situational requirements of encounters. Considered a critical soft skill, effective interpersonal communication is mainly dependent on processes of dialogue between employees and customers or guests, and consequently, employees' spoken communication skills and their use of service language. Although critical to superior service design and management, the diverse ways in which employees talk and interact with customers or guests often receive limited managerial attention. This case uses empirical data from five-star hotels to present a detailed scenario of how hotel employees use service language in the fictional case of Hotel Millennium. The service language model underpins the case as a theoretical framework, enabling students to critically analyse the complexity of talk and interaction used during service encounters by applying the various constructs of the model. This will allow students to explore strategies to enhance service language in service design, delivery and management and ultimately improve the soft skill of interpersonal communication.

Keywords Service language model · Hotels · Spoken communication · Verbal communication · Soft skills · Service design and management

Introduction

Customer service is a highly interactive and dynamic process involving complex social and interpersonal human interaction. As such, spoken communication by service employees is imperative to guests' evaluations of interpersonal service quality and is an essential soft skill required to enhance hospitality service delivery (Lolli, 2013). Hospitality service employees' use of spoken communication enables them

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to provide 'verbal attention' to others (Ivkov et al., 2019, p. 1), positively influence service relationships and enhance guests' service experiences (Bailly & Léné, 2013).

Although critical to superior service design and management, the diverse ways in which employees talk and interact with customers or guests often receive limited managerial attention. This includes what is said and how the worded message is delivered. Language use within a hotel service setting is regarded as implicit, and thus, 'taken for granted' (Blue & Harun, 2003, p. 78). Employees' spoken language usage during service encounters is also influenced by several contextual factors which need to be understood. Some of these factors are within the employees' control, such as how they personally engage with guests. However, other factors include the hotel's management and coordination of employees' language, known as scripting (e.g. Victorino et al., 2012). Especially challenging is the process of adaptation used by service employees, whereby employees proactively adapt their spoken communication to the situational requirements of different encounters (e.g. Gwinner et al., 2005).

In the context of hospitality service encounters, Scerri et al. (2017) conceptualised spoken communication used in service encounters as 'service language' in the service language model. The model is depicted in Fig. 7.1.

As a theoretical framework that represents the dynamism of spoken communication in service encounters, the service language model examines how service language is used by service employees to construct different forms of conversations and interactions with guests (Scerri et al., 2017). This includes transactional service language, which is considered on-task as it is related to core service provision, or non-transactional service language, which is regarded as off-task as it is similar to interpersonal exchange rather than operational processes. Specifically, the model identifies the importance of task-related talk for transactional activities, small talk to soften transactional exchange, talk that customises service delivery, and reciprocal conversation that develops relationships. The model demonstrates that employees also use service language to open and close encounters with guests and argues the importance of these 'verbal bookends' for the quality of a service encounter. Moreover, the model illuminates how various contextual factors, including those that can be modified by service managers, can influence the nature and quality of service language.

Although developed for the hospitality industry, the model offers a mechanism to explore many different service settings where highly relational and interactional service takes place. Informed by the service language model, the case aims to provide an in-depth understanding of service language and provides insights into successful practices and potential areas of service management improvement.



Fig. 7.1 The service language model. (Reproduced from Scerri, 2015 and Scerri et al., 2017)

Design and Method

Using empirical data of five-star hotels in Sydney sourced from Scerri (2015), a fictional case study has been constructed to represent service language in-practice. Personal interviews with 22 frontline service employees and managers employed in luxury hotels were conducted. This included conversations with concierge, food and beverage attendants, duty managers, switch operators, guest service agents and porters. Insights from the conversations have been interwoven to contribute towards a fictional narrative of service language in-practice. Students can apply the various constructs of the service language model to the case to analyse the complexity of talk and interaction used during service encounters. This will enable an exploration of strategies to optimise and enhance service language in service design, delivery and management, and improve the soft skill of interpersonal communication.

As students review the case study, they should consider insights which arise regarding how the opening sequence can be framed to greet guests, welcome them to the hotel and offer assistance in a manner that reflects hotel standards. Additional questions to consider may include: How can employees use spoken communication to develop different forms of transactional and nontransactional service language? How can service employees adapt their service language to meet different situational requirements? How should service employees conclude and close encounters with guests through service language, and should the language be adapted to different guests, and if so, how? What influence do different management practices have over service language use and design?

The Context/Scenario

Hotel Millennium (HM) is a boutique and independently operated five-star property located in the inner city of Sydney, Australia. Competing on understated sophistication, HM is ideally located in the central business district close to major tourist attractions. With 85 rooms, a fullservice restaurant and a casual American-style eatery, the hotel attracts a strong corporate market mid-week. The hotel has enjoyed a growth in corporate customers with positive reviews, but it is timely to develop and improve the overall business. The owners believe there is potential to grow the business by attracting high-end leisure guests to capitalise on its central location. Whilst the property has started to attract leisure guests on Thursdays to Saturdays, the General Manager, Mr. Daniel Alexander, knows that he needs to boost the overall numbers across the full week. However, current growth in leisure guests has already posed challenges for HM's service employees who are used to the needs and expectations of the corporate traveller.

As a result, HM is currently experiencing a decline in online ratings, with unfavourable reviews related to customer service increasing. This needs to be addressed before the hotel starts to lose potential customers, including return guests. Some examples of online reviews that the owners have asked the General Manager to explain are:

The icy encounter with the girl on reception caught me by surprise and instantly changed my experience. It's not what I expected from a property of this standing. We were so excited about our weekend trip to Sydney, and that really spoilt it for us.
(leisure guest).

Although when we arrived only a few guests were checking in, it took quite a long while for us to be checked in. It seemed to me there was just too much chatting going on.
(business traveller).

We had a terrific meal in the restaurant, and the food and service were excellent. My only gripe is that although the restaurant didn't seem that busy, it took us about 15 minutes to get the bill and pay. I had to ask for the bill twice from two different people, and once I'd put my card in the bill folder, it took another five minutes for someone to come back and finish

the transaction. I'm sorry to say that it detracted from an otherwise lovely dinner as we were on our way to the theatre and didn't want to be late. (leisure guest).

It was a pity no-one said goodbye to us when we left the restaurant— it was as if we had suddenly become invisible once we had paid the bill. It didn't seem quite right somehow, as we'd spent quite a bit of money and the girl who'd served us had been very attentive up to that point. (leisure guest).

Lara Fraser, with a proven record as a Guest Service Agent, has recently been appointed to a newly created role of Guest Experience Manager. Lara has substantial experience in both Sydney and Melbourne in similar properties. Lara has been assigned the task of transitioning the property from a corporate hotel to one that is able to accommodate a broader customer mix, including increasing the occupancy over seven days. When asked about what her role involved, she explains:

I am, more or less, the problem solver. We get brought in if there's an issue with the guest service, specifically check-in...we'll also plan and implement new training programs and new standard procedures. But my first task is to do a thorough analysis of the guest experience currently and provide recommendations for improvement.

Lara's first report will primarily relate to service delivered during the check-in interaction with guests, commonly performed by Guest Service Agents (GSAs). Any interactions guests have with other frontline service employees when they arrive at the hotel will also be included in the report. Lara believes these initial interactions between guests and hotel employees are crucial to creating high-quality guest experiences. In reflecting on HM's service performance, Daniel Alexander, the hotel's General Manager, recently wrote to Lara:

The leisure traveller expects a higher degree of interpersonal interaction and engagement from our employees. They want to feel welcomed into our city. They want to chat. They want to feel cared for and unique. To them, this is just as valuable...well, maybe more valuable...than an efficient check-in. We need to be able to do both to succeed with both the corporate and leisure travellers. I want to know what we are doing well right now, and what we need to improve upon in the future.

Lara feels intuitively that she needs to spend time immersed in the business with the service employees to get a feel for what's happening at HM. She records her observations of service behaviour and encounters for 3 weeks.

Front Desk

Lara finds out that all the GSAs go through two days of training with the Senior GSA Sarah. Sarah is very experienced, having worked in several large and well known five-star hotels in Sydney and Melbourne. Lara also learns that many of the other GSAs are inexperienced, some in their first position ever in a hotel. They are bubbly in personality, excited to wear the new uniform, and all regard themselves as people-orientated. However, they are nervous in their roles, feel there are many

tasks to complete each day and have a fear of getting into trouble if they don't manage to complete those tasks according to hotel policy and standards.

The general format of service language for a GSA during check-in (as observed by Lara) is:

- “Thank you for checking in with us!”
- “Confirming two people, three nights?”
- “Total is \$. Can I please have your credit card?”
- “Charge that to the card on file?”
- “Here is your written room number. I won't say it out loud so others can't hear it.”
- “Do you need directions or further assistance?”
- “Enjoy your stay. If you have any problems, please call or stop by the front desk”

Lara is aware there are some standardised elements of service language in a check-in interaction at HM. The check-in encounters Lara observes are efficient, and the service employees' communication is process-focused.

Check-out also seems fairly efficient and generally goes like this:

- “Did you enjoy your stay with us?”
- “Have you enjoyed anything from the minibar today?”
- “The bill comes to \$375.50. How would you like to settle your bill?”
- “Thank you for staying at Hotel Millennium”

Reflecting on her observations, Lara feels that guests on arrival and departure should not realise that they are being processed through a series of tasks. She intuitively knows that GSAs need to engage customers in the hotel and make them feel a 'wow' moment to enhance their service experiences. This must be adapted for different guests to accommodate differences in expectations and requirements. Some guests may not even wish to engage in conversation. She asks one food and beverage attendant how they adapt their spoken communication. They reply:

You get a feel for the guests. You just got to gauge by your interests and see how they're feeling towards you and their day in general. It's just sort of a gut feeling that you can see if they look up when you're talking to them or if they're on their phone checking emails. You sort of just pick up on little cues...I guess you can learn it, and you can be taught the signals, the body language...otherwise, it's just sort of a feeling you know when guests are willing to talk or when guests want to be left alone and have their quiet time.

A guest service agent overhears the conversation and adds:

When you go through the reservation, you have to confirm the name, confirm the length of time if they have any packages go through that if breakfast is included, what time does it start, what time does it finish. If I were to do it in the way they told me to do it,

I'd just be reading a piece of paper...so I say what they want me to say, but I add my versions to it. I make it more personal. Something that people would instead come to me for than if they were to go to someone who was just reading it off the computer screen...so it doesn't sound like 'oh I've been told to say this'.

However, Lara is concerned that not all service employees are not adequately fulfilling the businesses' expectations for service quality, facilitated by HM's service policies, and records the following:

On check-in specifically...and during every other point of contact...you want every single staff member who interacts with that guest to try and add a little bit more than they need to, even if it's just a telephone call to keep surprising that guest...That is quality service. However, some people come in and they just want to be in and out, they don't like talking, they don't like seeing people...that's the hardest thing about delivering good service, as every single guest wants something different and it's all about identifying that type of guest and getting it right every single time. [That's why] we've got the 'yes I can' factor, the 'yes I can' attitude, which is basically a policy about empowering every single staff member to do whatever they possibly can to make the guest happy.

Concierge and Porters

On Sunday, Lara decides to come into HM to catch up on some paperwork and hopes to include some observations. She is especially curious to meet some of the casual staff that work on the weekend. When she walks in, she spots a young family, a mum, dad and two little boys enter the lobby. They look tired and hot. The lobby is reasonably quiet, but there is only one GSA at the desk, and she is interacting with a guest already. Lara decides to move toward the family of four. However, Emanuel, a concierge who is a recently employed young hospitality graduate, is quickly at their side. She hears him say:

“Welcome to Hotel Millennium. My name is Emmanuel. I can arrange for your luggage to be delivered to your room. As soon as my colleague is free, she will look after your check-in. But in the meantime, may I offer you something to drink: coffee, tea, or perhaps a sparkling wine?”

The adults respond with what they want and are promptly served by Emmanuel. Suddenly, Lara is panic-stricken, as there may not be anything suitable for the two boys on the refreshments table in the lobby. However, she observes Emanuel down on his knee, facing the two little boys. He introduces himself and asks what they would like to drink. She hears the two little boys say “an orange juice please”. Quickly Emanuel runs to the bar in the restaurant and reappears with two juices. He continues his conversation with the children, asking them about the school, and what they are going to see in Sydney.

When they are settled, Emmanuel turns his attention to the relieved parents. They tell him they are visiting from Tasmania and haven't visited Sydney previously. He offers the family advice on what to visit in Sydney given rain, and potential storms are forecasted. Lara is impressed.

The recommendations Emanuel offers are unique to the family's situation. Emmanuel simultaneously and expertly provides his personal commendations of the attractions and offers useful information that may not be readily available to tourists. Before long, the family are able to check-in. Emmanuel escorts the family to the GSA and farewells them each by name.

Before she leaves, Lara commends Emmanuel on his service language and asks him to explain why he developed the conversation with the guests in that way. He says:

You might inquire where they had come from, or is this their first visit to Sydney...it's about finding a little difference...at the end of the day, what are guests going to remember? Of course, you're going to remember staying at a beautiful hotel, but you're also going to remember the staff, and the difference they made.

The Restaurant

The following Thursday, Lara dined in the restaurant. She thought it a good opportunity to observe interactions in an environment she wasn't so familiar with. She had already found out that all new food and beverage attendants had two days training with Jack, one of the food and beverage (F&B) team leaders. Jack has several years' experience in similar five-star hotels. Most of the F&B attendants are young and enthusiastic; some have formal training and relevant experience, but for many, it's their first experience in a hotel of this standard.

Lara knows that there is a specific sequence of service in place in the restaurant that is strictly followed. She notes that all staff are friendly and welcoming to their guests, explain the menu adequately and seem knowledgeable when talking about specific menu items. While she was eating, she did observe some guest interactions that highlighted areas that could be reviewed.

The first was with a family group with an elderly parent. The guest was around 85 but was very sprightly and engaged. When the order was being taken, she asked if her pasta main course could be half the standard size, as she knew she would not be able to eat it all. She didn't want to be seen as "wasting food." This seemed to create quite a problem for Luke, the F&B attendant, who didn't really know how to address what he perceived to be a somewhat unusual request. It took three different staff members to clarify and approve the request. The guest was served a smaller portion. Lara thought that this problem should have been something Luke could have sorted out without involving others, especially given the kitchen was relatively approachable, and the dish itself was not difficult to reduce in size.

She also found herself sitting near to a table of mature-aged women enjoying the current 'Long Summer Days - Lunch Special' deal. They were having a great time and obviously very happy to be out spending time with each other. They were not impressed, however, by the young F&B Attendant, Helena, when she came to take the order. Helena greeted them with "Hey guys, are we ready to order?" She then read back the order and finished with a "Thanks ladies!" before leaving the table.

The women were of course very polite and gave her their order, but afterwards, a couple of them spent some considerable time bemoaning the "lack of manners we didn't expect in a place like the Hotel Millennium" related to this particular interaction. Later, although she notified Helena upon taking the order of her severe dairy intolerance, one guest at the table was given parmesan cheese on her pasta. When she notified Helena of the error, Helena said: "No worries, I'll fix that right up for you". The meal was replaced fifteen minutes later, with minimal further communication by Helena.

When she was leaving the restaurant, Lara noted some new guests waiting at the entrance looking a little lost. The restaurant host was not at the desk, attending to another customer at the other end of the dining room, which seemed to be taking some considerable time. None of the F&B attendants seemed to have acknowledged them at all. The guests were about to leave when one of the attendants, Jody, came up and greeted them with a beaming smile, apologised for the wait, and asked if they had a reservation. Having confirmed they didn't, Jody showed them to an unreserved table. The host returned and also welcomed them warmly with apologies, chatting with them about their day so far, whilst also ensuring someone was on hand to organise drinks and menus.

Reflecting on her observations, Lara concludes that unlike the GSAs or Concierge, a restaurant F&B attendant will have ongoing communication with their guests for the entirety of the meal experience. She sees this as another excellent opportunity to engage with guests on a number of levels and positively influence their overall enjoyment of the hotel. On the other hand, she can see that due to the number of interactions required per guest throughout a meal, there are also as many opportunities to influence a guest experience negatively.

Discussion

A great deal of research has been published on guest experience, service design and management and related themes, including the importance of soft skills for hospitality service employees. Service employees' use of effective spoken communication skills in encounters with guests' impacts on organisational performance and is vital for competitiveness and quality.

The service language model identifies various constructs related to service employees' spoken language usage, including:

- The opening and closing sequence as 'verbal bookends' to service encounters
- Transactional and non-transactional forms of service language talk
- Contextual factors which influence service language
- The process by which service employees adapt their service language to different encounters or people.

What Lara has observed points to several issues that should or could be considered in moving Hotel Millennium forward to expand its customer base and enhance their reviews. She has also observed positive interactions between service employees and guests and believes these represent examples of high-quality service language and general communication behaviour from service employees. Review Lara's observations and the information presented in the case study in relation to HM as a fictional Australian five-star hotel to reflect on and answer the following questions. To inform your responses, consider the concepts presented in the service language theoretical model.

1. What factors influence service language in the case study? Which of these factors relate to the static zone in the service language model? Which of these factors relate to the dynamic zone in the service language model?
2. Critically reflect on the statement: 'Using the metaphor of theatrical performance, the satisfaction of customers is highly dependent on the performance of service employees as 'cast', who stage memorable and personal experience for guests'.
3. Analyse the importance of the opening sequence in regards to service language. What are the key elements an opening sequence should include, and why? How does this compare to service language in the closing sequence?
4. What are some examples of scripted dialogue in the case study? Why may scripts be used in five-star hotels? What advantages and disadvantages do scripts offer?
5. How would you describe the words used in the employees' service language?
6. Which service language in the case study is transactional? Which service language is nontransactional? Why is each form of service language important?
7. Evaluate the strengths and weaknesses of the service language used in the case study. What service management practices could be implemented to improve the service language?
8. You work in the case hotel as a GSA.
 - (a) How would you talk to a guest who is arriving at the hotel for the first time, and why?
 - (b) How would you talk to a guest when checking them into the hotel, and why?
 - (c) How would you talk to a guest who you are familiar with (that is, they are a returning guest), and why?
 - (d) How would you talk to a guest who was unhappy or complaining, and why?

Research Activities

Essay/Presentation

Interpersonal communication is a complex soft skill critical to the quality of service encounters. Identify three types of communication used by service employees. Argue why every kind of communication must be considered in service design and delivery in the hospitality industry.

Project/Communication Training Strategy

You have been hired as a service consultant by a hospitality service organisation of your choice or the choice of your facilitator. Based on the reading of this case and the theoretical model on service language, develop a training strategy for spoken communication to be implemented in this organisation and offered to all service employees. The strategy should take the form of (1) training material designed for the audience of service employees, and (2) a business report which justifies the strategy in reference to service management literature.

Conclusion

Service employees' interpersonal communication skills, and particularly their spoken communication skills, are essential in delivering a positive experience for guests and enhancing perceptions of service quality. Informed by the service language model, this case study assists students in appreciating the complexities of spoken communication as a soft skill in five-star hotels. The insights inform an understanding of guest experience and service design and management applicable to broader organisational settings, particularly settings where relational and interactional service takes place.

A. Teaching Note

This case study illuminates the complexity of spoken communication in hospitality service delivery, known as 'service language' (Scerri, 2015; Scerri et al., 2017).

Case Summary

The main objective is for students to critically analyse how service language works and takes shape and how the service language model replicates the use of spoken communication in service delivery. Students are asked to evaluate the strengths and weaknesses of service language integrated throughout the case study and isolate components of the service language model such as the factors in the meta-zone which influence service language. This is an analytical case study that offers opportunities for students to explore:

- The opening and closing sequence as 'verbal bookends' to service encounters
- Transactional and non-transactional forms of service language talk
- Contextual factors which influence service language

- The process by which service employees adapt their service language to different encounters or people.

Teaching and Learning Objectives

In the backdrop of the concepts of the guest experience, service language and communication, the teaching objectives of this case are for students to:

1. *Appreciate the importance and complexity of spoken communication (service language) in service encounters.*
2. *Critically appraise the impact of spoken communication on guests' overall service experience.*
3. *Appreciate how spoken communication can be influenced/affected by changing guest circumstances and/or diverse situational requirements.*
4. *Critically reflect on the role and use of the service language model as a framework for spoken communication.*

Target Audience

This case study has been developed to give undergraduate and postgraduate students a contemporary look at an age-old issue: the practice of communicating effectively in a hotel environment with customers from diverse backgrounds, who may be visiting a hotel for multiple purposes with different expectations. Interpersonal communication skills and spoken communication skills are a must for students and practitioners seeking to enter the hotel sector in an environment of heightened competition. The case study is applicable for students studying service design and management or customer experience in hospitality, tourism or other service-related disciplines, and can be used as an applied training tool to enhance applied interpersonal communication soft skills.

Teaching Approach and Strategy

There are many ways in which the case can be used. Perhaps it is most beneficial when used during the early stages of any generic customer experience course or training program, and is more relevant to those who are in the early stages of a hospitality career rather than senior management. It provides a general and fictional description of a hotel in the city of Sydney: a hotel that is doing well mid-week but

needs to increase occupancy overall and thus embarks on a journey to expand its customer base. Lara, the protagonist, in this case, is charged with helping to make this transition in a process aligned with organisational development. During her investigation, Lara finds a mix of good and not so good elements incorporated into the scenario.

The case study presents facets of the service language model throughout the narrative. It is helpful to use this case study to get students/participants thinking about the ‘service journey’ concept, the psychological process surrounding any customer interaction and the many elements and challenges of communication, but especially verbal, spoken communication.

Prior to introducing the case study, it is crucial to deliver a short input session explaining to students/participants that as people who are responsible for looking after guest needs, they need to:

- Understand the process that customers go through every time they experience service of some kind;
- Review and understand the role of customer expectations;
- Understand that customers are different and have varied expectations;
- Outline or discuss the importance of appropriate communication in service delivery, primarily verbal, spoken communication.

Once you have drawn out the concepts and ideas as indicated above, you can then have participants work on the case study. They should:

1. Read the case study individually – allow 10–15 min approximately.
2. Highlight the ‘positive’ and ‘negative’ elements in the observations and scenarios. This could be done as a whole group brainstorming session first. Alternatively, the students/participants can be asked to reflect on the scenarios in a brainstorm mindmap format individually. Allow 10 min approximately.
3. Ask the class to reflect on what can be done to improve the ‘negative’ elements in the observations and scenarios. Allow 10–15 min approximately.
4. Then, divide the participants into groups and ask them to discuss the questions posed.
Allow 20 min approximately.
5. Finally, the feedback session would include each group presenting their thoughts and ideas based on one question.

This activity sets a foundation for a more critical analysis of service language. The facilitator can discover what students already know and what they have learnt from each other as part of this activity and can check misconceptions. Collectively, the group can reflect on the case before a theoretical framework of the service language model is presented and discussed more formally.

Alternatively, the case study can be provided in an examination format with the inclusion of a small number of the discussion questions.

Theoretical Framework

The detailed overview of the theoretical framework below, including Table 7.1, indicates which discussion question the part of the theory relates to. The question/s are shown in bolded brackets.

Service in commercial hospitality is an interactive process of communication. As hospitality service encounters particularly involve high levels of interactional

Table 7.1 Service Language model summary by subcategories

Theoretical Categories	Insights
1. Service Language Meta Zone (relates to Q1, Q2, Q4)	<p>1.1.Contextual constructs shape and condition service providers' spoken language usage, inclusive of the <i>static zone</i> and the <i>dynamic zone</i>.</p> <p>1.2.In the <i>static zone</i>, hotel organisations' coordinate and manage elements of service providers' spoken language through language specifications and abstract expectations.</p> <p>1.3.In the <i>dynamic zone</i>, internal constructs of performing and learning shape service providers' behaviour during service encounters.</p>
2. The Verbal Bookends (relates to Q3)	<p>2.1.Conversation in service encounters are bracketed with a formulaic <i>opening sequence</i> and <i>closing sequence</i>, interpreted as the '<i>verbal bookends</i>'.</p> <p>2.2.The <i>opening sequence</i> involves service providers' recitation of a standardised opening, performance of a greeting and an offer of service.</p> <p>2.3.The <i>closing sequence</i> involves service providers' offer of further service, a capping of conversation and an adaption of the closing sequence to mirror the course of the conversation.</p>
3. The Reading – Qualifying – Adapting Mechanism (relates to Q8)	<p>3.1.Service providers enact a process of adaptation during service encounters composed of three strategies: <i>Reading</i>, <i>qualifying</i> and <i>adjusting</i>.</p> <p>3.2.The <i>reading</i> strategy involves reading and recognising guest-based stimuli as 'cues' about the guest and the situational service encounter.</p> <p>3.3.The <i>qualifying</i> strategy involves applying cues to make judgements about the service encounter or seeking further cues.</p> <p>3.4.The <i>adjusting</i> strategy involves modifying their service behaviour to align with qualifications about the guest and the situational service encounter.</p>
4. Interactional and Conversational Domains (relates to Q5, Q6 and Q8)	<p>4.1.Styles of conversation allow service providers to adjust how they interact with guests through their spoken language.</p> <p>4.2.Interactive behaviours by service providers involve: Processing, resolving, gatekeeping, breaking down barriers, personalising, connecting and relating, conceptualised as <i>interactional domains</i>.</p> <p>4.3.Spoken language usage to achieve interactive behaviours involves: Task-related talk (processing domain), responsive talk (resolving domain), brightened task related talk (gatekeeping domain), general conversation (breaking down barriers domain), extended-task related talk (personalising domain), relational conversation (connecting domain) and familiar conversation (relating domain).</p>

complexity, service providers are required to interpret and respond to individual customers. In particular, service employees use a spectrum of spoken communication processes to shape customer experiences and develop situational service encounters (Scerri, 2015; Scerri et al., 2017) (Q8). These communication processes are an essential part of interpersonal service quality. As such, the service language model (reproduced as Fig. 7.1) represents how customer service unfolds through talk and interaction, as well as the contextual factors that influence this service language. The model can be used to conceptualise and improve customer experiences in different contexts (e.g. Scerri & Presbury, 2020), and is particularly relevant to the achievement of high-quality hotel service (Q7).

Interpreting the Service language Model

The service language model is comprised of five major categories. These categories are the *service language meta zone*, the *verbal bookends*, *interactional – conversational domains*, and the *reading – qualifying – adjusting mechanism*. Service language usage is represented as highly complex and multi-faceted, centralised around the dynamics of frontline service provider to-guest interaction and conversation (Q5, Q6, Q8). Structured *opening* and *closing sequences* bracket the course of communication developing during the service encounter (Q3).

Between sequences of opening and closing, interaction and conversation are complex and variable. To inform and enable this interactional and conversational complexity, frontline service providers enact an internal process of *reading*, *qualifying* and *adjusting* prior to, at the point of or during the course of service encounters (Q8). Moreover, frontline service providers' language usage at points of interaction with guests is contextualised by constructs that are both static and dynamic in nature (Q1, Q2). This is represented by the outermost layer of the model. Although both located within the *meta zone*, the *dynamic zone* is contained within the *static zone*, representing the dominance of hotel managements' jurisdiction over service language (Q4).

Indicative Responses to Research Activities

Essay/Presentation

- Students can discuss types of interpersonal communication, including verbal, nonverbal, visual or written communication. Students may also identify sub-types of communication, such as and spoken communication as a part of verbal communication.
- For each type, students should argue why the communication type is important for service design and delivery, with a focus on the hospitality industry. Students

may refer to service management theory such as service quality, service co-creation or service recovery.

- Students should refer to credible sources of information throughout the essay or presentation.

Project/Communication Training Strategy

This activity can be completed as an individual or collaborative group project or assignment.

- *Part A: Training education material.* This may include, but it not limited to, communication guidelines or standards for employees, a training handbook or an orientation seminar. Students can integrate scripted dialogue or strategies to encourage styles of desired spoken communication that reflect the chosen organisation, including transactional or non-transactional service language. Students are applying the service language model and other service management theory/literature where relevant.

Students are communicating with an employee audience.

- *Part B: Business report.* Following structural requirements of a structured and professional business report, students must analyse and justify the strategies integrated into the training education material regarding credible sources of information and the service language model. The audience is the management of the chosen service organisation.

Conclusion

The service language model offers a multi-faceted lens for understanding spoken communication as an essential soft skill in the tourism and hospitality industry. This is particularly important because many service organisations provide only general training and standards for communication behaviour, such as verbal scripting for everyday service encounters and ways of opening conversations with guests. However, employees are also expected to integrate dynamic forms of service language into their service delivery to enhance guests' evaluations of service encounters and adapt encounters to different situational requirements. An understanding of the complexity of service language better equips students entering the tourism and hospitality industry, as well as those who will develop and coordinate service management practices.

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Chapter 8

Hidden Factors: Operations Management Implications for the Hayman Island Resort



Zdenka Gabrielova and Marcela Fang

Abstract The tourism sector greatly contributes to Australia’s national economy and plays a significant role in most regional economies, including the Whitsundays region in Northern Queensland, Australia. Aiming to be known as one of the world’s leading tropical island and marine leisure holiday destinations, the Whitsundays tourism operators need to flexibly adapt to the changing and sometimes chaotic conditions of the region’s natural environment to help attain this goal. The location-based socio-economic and physical factors and the climate challenge the business operations and management strategies of all businesses, including luxury tourism resorts. This case study presents the key external factors, which can challenge sustainable performance of resort operations located in tropical island destinations in Whitsundays. The case presents information to enable students to apply different theories and concepts from the field of operations management. This will enable students to recommend operations management strategies to optimise sustainable performance of tourism resorts impacted by climate change.

Keywords Tourism resorts · Operations management · Sustainable development · External forces · Climate change

Introduction

The resort industry is a unique segment of the broader tourism industry, providing diverse products and services, which are increasingly challenged by a wide range of external issues. Brey (2011a) described resorts as full-service lodging facilities that provide access to a range of amenities and recreation facilities offering leisure experiences. Resort facilities may range from a small boutique to large integrated facilities and destinations, providing many different types of services, including a range

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of recreational activities, various dining experiences and a selection of accommodation options.

As most resorts are located in secluded regions, and popular coastal tourism destinations, local conditions, such as socio-economic factors, physical factors and climate can influence the ways the resorts are operated and managed (Alipour et al., 2019; Brey, 2011a, b). From the socio-economic perspective, the local labour market, government policies, availability of and access to suppliers, state of the economy and the overall business climate can either support or limit the overall performance of the resort operations (Jones & Robinson, 2020). Physical factors, including access to raw materials, energy and water supply, and nature of transportation and communication links can further add to these challenges. In addition to these general location-based factors, many coastal destinations and beach resorts, which have been drawing visitors for their 'sun, sea and sand' appeal are being increasingly challenged by climate change, such as the damage from rising sea levels and extreme weather patterns (Hall, 2017; Jones & Phillips, 2007). Buckley et al. (2015) and Scott and Lemieux (2010) stated that climate, such as natural seasonality, and variability that brings heatwaves, bush fires, storms and heavy rain could either positively or negatively influence the demand for tourism operators' activities and products, and also influence the whole tourism destination system. In the tourism destination context, tourism system refers to a number of elements, which exhibit varying degrees of dependence on one another (Baggio & Sainaghi, 2011; Nyaupane et al., 2018). These elements may include transportation, accommodation, food and hospitality services, tour operators, attractions, retail providers, destination stakeholders and other individuals. Any of whom may drive a change at either individual, business, community or destination level. Russel and Faulkner (1999) stressed that the tourism system includes human and non-human elements, which may or may not be tourism related. Even a small change or individual difference or random externality have a potential impact on awakening major realignment in the system; hence, the tourism system is seen as complex, unstable, and always evolving.

The field of operations management presents various theoretical concepts and models, which can assist in the development of operational strategies and actions benefiting all businesses, including service-oriented luxury tourism resorts. The operations management field is concerned with effective design, management and maintenance of the processes, needed to efficiently support identified business goals and strategies (Jones & Robinson, 2020). At the tourism destination level, various inputs into the tourism system might be influenced to generate more resilient outputs.

Maintaining and developing new revenue streams is an important part of any resort business. Managerial decision-making needs to take into consideration the ability of the broader tourism destination system to flexibly adapt to the changes in the environment while searching for new and effective operations management strategies. Jones and Robinson (2020) highlighted that business cash flow could be affected by wrong location choices made in the early stages of business

development. Such mistakes may not be easily rectified at later stages of the resort product life cycle due to the significant investment and sunk costs in the facilities. While in the resort operations stage, could resort managers who display agility and cooperative, collaborative and creative behaviours better steer their businesses towards sustainable growth and survival?

This case is designed for students of management in the area of resort operation management. The case presents various external factors, which can significantly challenge the sustainable performance of resort operations located in the Whitsundays region, Australia. The case presents information to enable students to apply different theories and concepts from the field of operations management. This will enable students to recommend operations management strategies to optimise sustainable performance of tourism resorts.

Design/Method

This case study is built on secondary data, which were sourced from relevant journal articles, STR LLC data, government publications and various news media outlets. The graphs presented in the case visually depict the data sourced from STR LLC for the Whitsundays region, Australia. The data relate to aggregate key performance indicators, including occupancy, average daily rate (ADR), revenue per available room (RevPAR), rooms supply and demand between 2007 and 2019. Sixty-six per cent of the census hotels and resorts in Whitsundays reported these indicators, which equated to 68 properties and 2999 rooms in August 2019.

The Whitsunday Region

The Whitsunday region has a strong economy driven by tourism, agriculture, construction and mining industries. The region has been recognised as one of the fastest growing regions in Queensland. Well-planned infrastructure and an appealing lifestyle make this region an attractive investment location. The region has a population of approximately 35,000 people, supporting over 15,000 jobs and an annual economic output of over \$5.5 billion. Over 3000 jobs are supported by tourism in the wider Whitsundays region. More than 80% of work in accommodation and food services, with more than 1000 jobs alone in the Whitsundays Islands (ABS, 2016).

The Whitsunday region includes Arlie Beach and Shute Harbour as the main gateway to the 74 islands located along the Great Barrier Reef, and other areas on the mainland including Bowen, Cannondale, Collinsville, and Proserpine. Please refer to Fig. 8.1 for a map of the Whitsundays region.

Coastal and island tourism, which dominates the type of tourism in the Whitsundays, mostly relies on natural resources (Jones & Phillips, 2011), and specifically the climate (Gómez Martín, 2005). Gómez Martín (2005, p. 572) stated

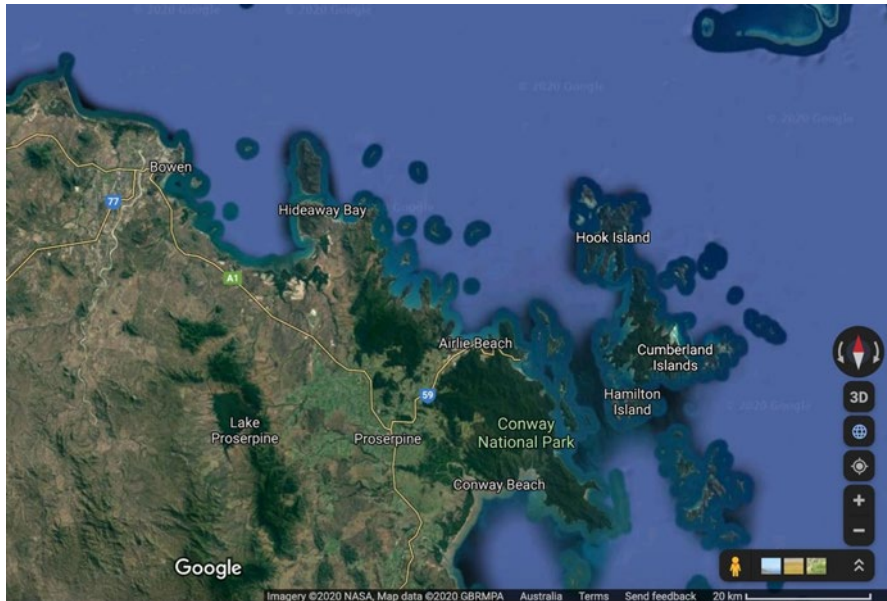


Fig. 8.1 Google Earth 2020, *Whitsundays* [online map], viewed 25 July 2020. <https://goo.gl/maps/LsQFmkbryamPLfdd7>

that climatic elements, such as “temperature, number of sun hours, precipitation, wind, and humidity”, greatly influence tourism demand. Overall, the climate is a resource for activities like sun and beach tourism, water sports, and health tourism (Moreno, 2010). As one of the popular destinations nested among other world renowned Whitsunday islands, Hayman Island has a tropical climate and can be visited all year round. Water temperatures mostly stay around 25° C throughout the year, providing idyllic conditions for swimming, snorkelling, scuba diving and other water sport activities. July to October may, however, be the more optimal time for those visitors who prefer less humidity and air temperatures around 23–25° C (Whitsundays.com n.d.).

Between October and May, the climatic conditions tend to increasingly drive a range of jellyfish to the waters and shores of the Whitsundays. Thus, visitors might be exposed to risks associated with jellyfish stings, and specifically when close to ‘blue bottles’ or ‘Portuguese man o’ war’, ‘Irukandji’ and ‘box jellyfish’, as these can cause severe reactions in some people, and would require medical emergency and hospitalisation (Sailing Whitsundays, n.d.). While a ‘stinger season’ may influence the demand for tourism resort experiences or affect the diving and snorkelling activities, strategies have been put in place by many tourism operators to continue offering water based experiences. This includes safety communication and availability of personal protective equipment.

The time between January and March represents the wet season. During this time the temperatures are close to 30° C, and due to the increased rainfall, humidity

might be at higher levels. According to Ogge et al. (2019), temperatures above 35° C can lead to heat related stress and illnesses. They reported that high temperatures combined with the humidity of 70% or above are seen as dangerous, and with 80% humidity, the conditions are extremely dangerous. These conditions make it challenging for visitors as well as locals and staff working in the tourism industry.

The Whitsundays region is also prone to extreme weather events, including cyclones. On 28th March 2017, Severe Tropical Cyclone (STC) Debbie, a category 4 strength system, hit the Whitsundays region. This devastating event left behind widespread destruction and caused enormous damage. The Queensland Government reported:

the STC Debbie Category 4 system hit coastal communities with isolated rainfalls of 400mm and wind gusts of up to 265 km per hour. Tragically lives were lost, homes and businesses were destroyed and damaged, and many thousands of lives were impacted. From the Whitsundays to the NSW border, almost half of Queensland felt the impacts of STC Debbie (Queensland Government, 2017).

Reported to be the second-most expensive cyclone in Australian history, costing \$1.565 billion, the extreme event caused a significant impact on Queensland communities, farming, the environment, and the resources sector. According to the Insurance Council of Australia (2017), cyclone Tracey, that hit Darwin in 1974, accounted for \$4.1 billion in losses.

In Australia, tropical cyclones (TC) known as small-scale weather phenomena are most evident in tropical coast of Western Australia, the Northern Territory and Queensland, from late November through to April. Their most apparent impacts are characterised by catastrophic wind speed, storm surges, and extremely heavy rainfall and flooding. TC generally represent a significant hazard to the cyclone-prone areas, with approximately 11 TC forming each season in these regions during the period (Bureau of Meteorology, n.d.). These are strongly influenced by El Niño/Southern Oscillation. More tropical cyclones occur during La Niña years and fewer in El Niño years (CSIRO, 2015). Although the number and the intensity of TC are difficult to predict for the Australian region, recent studies suggested that TC are “projected to become less frequent with a greater proportion of high intensity storms...stronger winds and greater rainfall” (CSIRO, 2015, p. 8). According to the Bureau of Meteorology (BOM), Australia’s Whitsundays region has seen at least six tropical cyclones within 10 years (Table 8.1).

Hundreds of people had to be evacuated from the Whitsundays region in 2017 due to the Debbie tropical cyclone. Islands, which were affected the most included Hamilton Island, Daydream Island and Hayman Island. Due to the severity of damage caused, Daydream and Hayman Islands were completely closed for business. It took nearly 2 years for both islands to be redeveloped and to open for business again.

Daydream Island officially opened in April 2019, costing \$140 million in investments (Tourism Whitsundays, 2019). The Daydream Island Resort and Spa, now contains 280 rooms, various dining concepts, and event spaces. A new brand identity highlights the island’s heritage.

Table 8.1 Cyclone history affecting the Whitsundays region (2011–2018)

Name	Date	Coastal crossing details
Tropical Cyclone Iris	25 March–5 April 2018	Category 2
Severe Tropical Cyclone Debbie	25 March–29 March 2017	Category 4
Tropical Cyclone Marcia	15–21 February 2015	Category 5
Severe Tropical Cyclone Yasi	30 January–3 February 2011	Category 5
Tropical Cyclone Anthony	23–31 January 2011	Category 2
Severe Tropical Cyclone Zelia	14–18 January 2011	Category 4

Source: Bureau of Meteorology (2020)

It took \$135 million and 2 years to re-develop the Hayman Island (Tourism Whitsundays, 2019). It re-opened in July 2019. While Hayman Island remains in the ownership of Mulpha Australia, the management contract of the newly redeveloped resort has changed from One&Only Resort to InterContinental Hotels Group (IHG). In the past decade, Mulpha Australia's investment in Hayman Island had been affected by two cyclones.

According to the Climate Council (2019a), Australia is among one of the most vulnerable developed countries likely to be affected by the impacts of climate change in the coming years. Nature-based attractions account for the top five attractions in Australia, including beaches, wildlife, the Great Barrier Reef, natural wilderness and national parks (Climate Council, 2019b), and climate change may significantly challenge the tourism in Hayman Island and the greater Whitsundays region.

According to the Climate Council (2019b), risks associated with extreme weather conditions can affect how and when tourists travel and what destinations they chose. The Council stated that there are four different categories of impacts, which might be evident in regions and tourism destinations affected by climate change. These impacts include:

- Direct impact: extreme weather conditions, which influence where and when tourists chose to travel.
- Indirect impacts: climate change threatens the top tourist attractions due to changing landscapes and affecting places where tourists visit.
- Policy impacts: establishment of alternative travel destinations or business models to reduce the damage of tourist-related activities in more sensitive regions and areas; this signifies a less polluting mode of travel, including 'eco-tourism' activities and accommodation.
- Societal change: climate may affect the economic growth of a region; thus, the tourism system as a whole may change completely.

According to Goldberg et al. (2018), risks associated with climate change pose serious challenges to the sustainability of destinations in Australia. Such impacts can destabilise tourism operations in affected regions, and specifically the Great Barrier Reef (Jones & Phillips, 2007; Zeppel, 2012). Consequently, this may cause a threat to the tourism industry, including the social and economic sustainability of the region and the tourism system (Hambira et al., 2015).

The Whitsundays Accommodation Market Overview and Findings

Due to the presence of the Great Barrier Reef and other natural, cultural, and man-made attractions and events, the Whitsunday region contains a variety of resort and accommodation facilities. According to data sourced from STR (2019), a company that collects data from the global hotel industry, as at 25 October 2019 in the Whitsunday region, there were a total of 68 properties with the total of 2999 rooms. These properties reported their Occupancy, Average Daily Rates (ADR), and Revenue per Available Room (RevPar) to STR for statistical purposes. Most rooms were in the luxury class (Table 8.2).

The STR data further show that demand for hotel and resort rooms in the Whitsundays region grew in 2013 and reached a peak in 2016 (Fig. 8.2). This was followed by a relatively sharp decline, and since then, the demand continued to be at its lowest level.

Although the demand for rooms dropped in 2016, the occupancy levels have always been in the range of 60–70% since 2007 (Fig. 8.3). Between 2014 and the end of 2017, the ADR rates have been consistently near or above \$300 per room/night. It is evident that while some rooms (supply of rooms) have been lost since 2016 (Fig. 8.2), the occupancy and ADR levels have been maintained.

Based on the Occupancy, ADR and RevPar percentage change of the STR (2019) data, Fig. 8.4 highlights the performance of the accommodation market in the Whitsundays region between 2007 and 2019. The trended data during these years highlight the different strategies made in the area of pricing. While no data were available between 2011 and 2012 for the region, the pricing decisions between 2007 and 2010 were different from those in 2013 onwards. The trended data also show the impact of the cyclones on the overall accommodation performance.

Looking further into the Occupancy data and the weekday and weekend business between 2014 and 2019, it is evident that weekends played an important part in the accommodation business (Fig. 8.5).

Table 8.2 Number and type of Whitsundays accommodation properties on the STR list as at 25 October 2019

Class	Properties	Rooms
Luxury	13	1305
Upper upscale	12	409
Upscale	8	385
Upper midscale	8	262
Midscale	14	378
Economy	13	260
Total	68	2999

Note: Number of properties and rooms as at 25 October 2019. Data source: STR, LLC. STR (2019) Trend Report – Whitsundays Area Sub-Market. Reproduction or other re-use of this data without the express written permission of STR is strictly prohibited

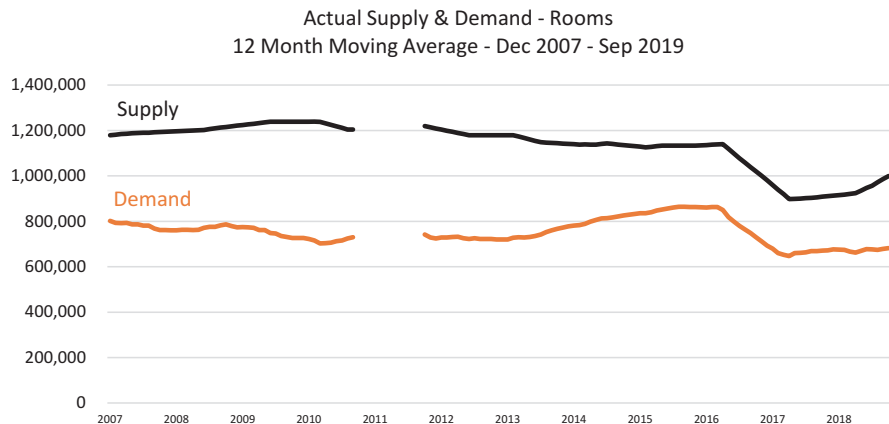


Fig. 8.2 Actual supply & demand of rooms. (Data source: STR, LLC. STR (2019) Trend Report – Whitsundays Area SubMarket. Republication or other re-use of this data without the express written permission of STR is strictly prohibited)

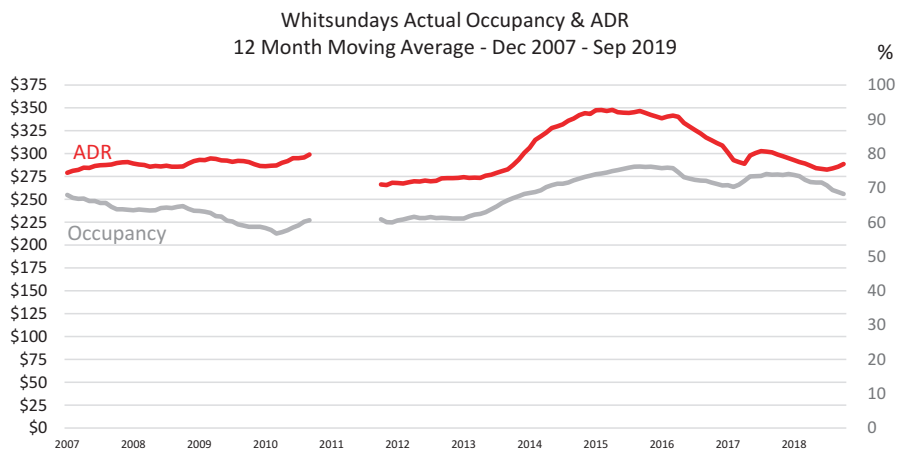


Fig. 8.3 Actual occupancy and ADR. (Data source: STR, LLC. STR (2019) Trend Report – Whitsundays Area Sub-Market. Republication or other re-use of this data without the express written permission of STR is strictly prohibited)

Despite the higher weekend Occupancy, the rates have been relatively comparable during weekdays and weekends, except 2019 (Fig. 8.6).

In summary, the findings presented in this section show an evolutionary profile of the lodging sector in the Whitsunday region. It highlights how dynamic and resilient the lodging sector is in this region. When combined with other qualitative knowledge, such as natural and manmade historical events and the region’s

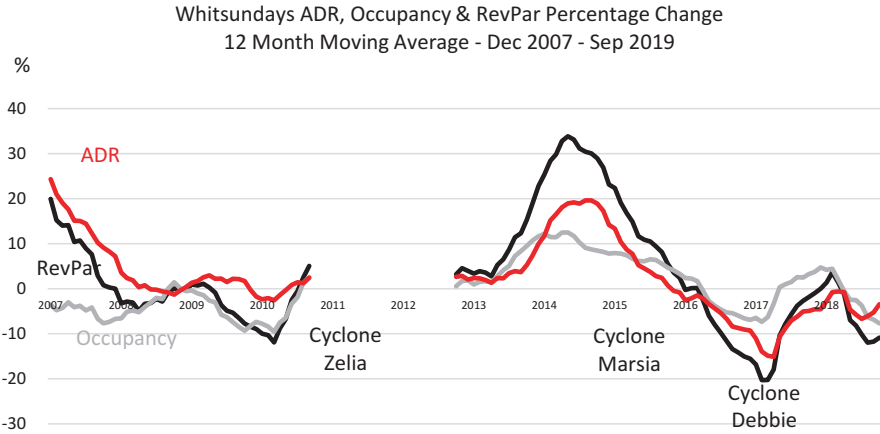


Fig. 8.4 ADR, occupancy & RevPar percentage change. (Data source: STR, LLC. STR (2019) Trend Report – Whitsundays Area Sub-Market. Republication or other re-use of this data without the express written permission of STR is strictly prohibited)

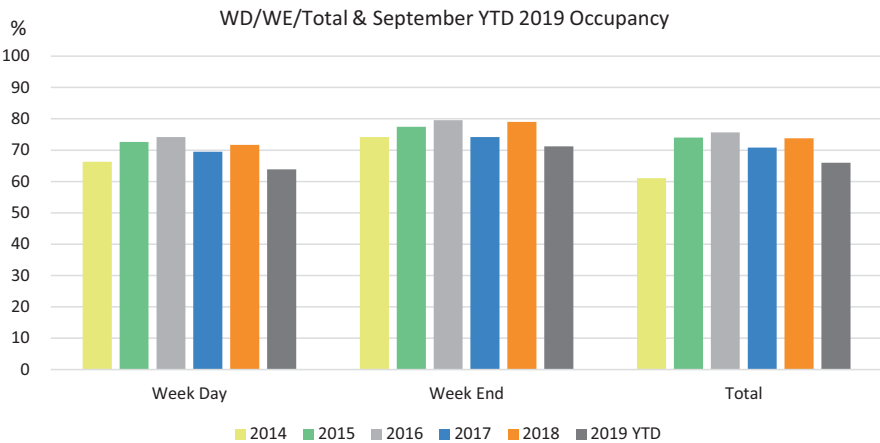


Fig. 8.5 Weekday/weekend/total actual occupancy. (Data source: STR, LLC. STR (2019) Trend Report – Whitsundays Area Sub-Market. Republication or other re-use of this data without the express written permission of STR is strictly prohibited)

economic and tourism visitation data, it might be possible to better understand the nature of the tourism destination. Such findings may inform current and future strategies, contributing to the more effective management of resort operations.

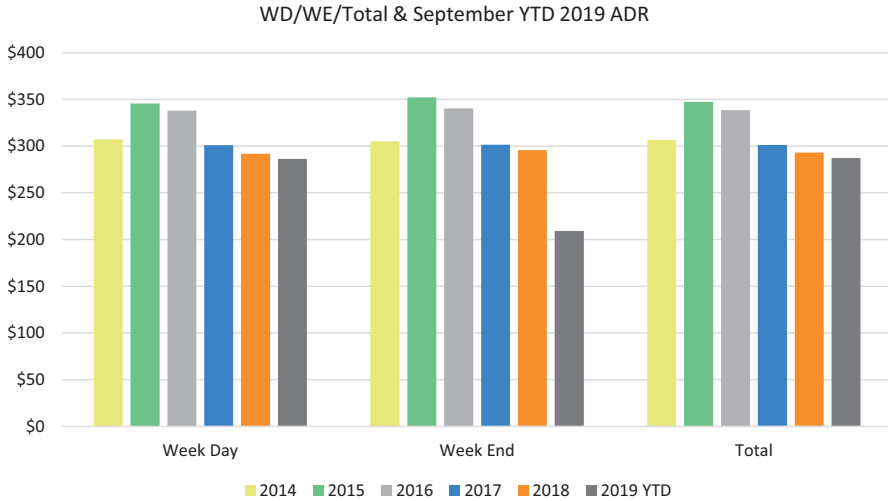


Fig. 8.6 Weekday/weekend/total actual ADR. (Data source: STR, LLC. STR (2019) Trend Report – Whitsundays Area SubMarket. Republication or other re-use of this data without the express written permission of STR is strictly prohibited)

InterContinental Hayman Island Resort

Hayman Island is an example of a luxury tourism resort destination. Located in the heart of the Great Barrier Reef in the Whitsundays, Australia. Situated on 400 ha of land, the resort offers panoramic seascapes and tropical gardens nested within its artfully designed servicescape. The resort opened in July 2019, and according to Mulpha Australia’s CEO, Greg Shaw, it represents a new benchmark for the Australian tourism resort market (IHG, 2019a, b). The resort is owned by Mulpha Australia and is managed and operated by the InterContinental Hotel Group (IHG¹).

IHG is one of the largest hotel groups in the world, currently present in more than 100 countries with a portfolio of over 5700 properties and 860,000 room keys across its 17 brands. All IHG hotel and resort brands are united by the same motto that communicates a commitment to ‘true hospitality for everyone’ (IHG, 2020). In Australasia, IHG currently operates close to 51 properties, under five brands: InterContinental, Crown Plaza, Holiday Inn, Holiday Inn Express and Voco. In addition, there are 35 properties in the pipeline, including Hotel Indigo and EVEN Hotels. In 2019, IHG opened several landmark resort properties under its luxury InterContinental Hotels and Resort brand, located in Australia, Japan, and the Maldives. Recently, the group has also acquired the luxury Six Senses Hotels Resorts Spas brand, suggesting a growing focus on the luxury market (IHG, 2020).

¹ ‘InterContinental’ trademark is owned by IHG.

As the only accommodation provider on Hayman Island, the InterContinental Hayman Island Resort offers three accommodation options, consisting of 166 well-appointed standard rooms, executive rooms and suites, starting at \$750 per night. These are spread across three wings; beach, lagoon and pool. Other resort facilities include a lagoon, collection of pools, recreation centre with tennis and squash courts, water sports, fishing, diving, spa and wellness centre, and conferencing facilities. For dining, the resort offers venues such as the Pacific, Bam Bam, Amici Trattoria, Aqua, Bar Fifty and Grove Boutique & Café, which cater to different needs while showcasing the essence of local flavours. The resort public facilities include access to Wi-Fi, ATM, and a kids club. All of the resort rooms are fully air-conditioned and accessible via exterior corridors. Each features iPad, minibar, a pillow menu, LCD television with satellite and pay-per-view movie selection. Bathrooms in the guest rooms include a separate bath and shower, with a deep soaking bath and a rainfall showerhead. Guests can also enjoy complimentary access to the internet, in-room espresso machine, and 24 h room service and housekeeping.

The InterContinental Hayman Island Resort also offers exclusive MyConcierge service to guests located in the beach residences which oversee the Coral Sea. This superior service provides an ultimate luxury experience, including a dedicated on-island personal concierge.

While the resort offers many free activities, such as the use of the recreational centre, nature trails, bird walks, fish feeding, sea kayaking, sailing, paddle boarding and windsurfing, some activities incur extra fees. These include guided hikes and snorkelling experiences, walking, pedal and board tours, sea kayaking adventures, fishing experiences, tennis lessons, speedboat experiences, and a golf simulator experience.

The Hayman Island guests can also enjoy activities at other locations during their resort stay. These options may range from picnics at secluded beaches, Jet Ski adventures, nature walking trails, swimming or enjoying other recreational and sporting activities like tennis, squash, basketball, fitness, and hiking at own pace.

Hayman Island is a privately-owned island, only accessible to visitors and guests to the island. There are three flexible options for transportation for visitors to travel to and from the island. Visitors can travel by boat, helicopter or private charter flights. Transportation via boat transfer is available via 'luxury launch' to and from Hamilton Island. This includes 1 hour of a scenic tour of the Whitsundays Islands, light refreshments and a personal escort to their room on arrival. Visitors and guests can also book a private yacht, which may be more convenient for groups. Private helicopter or a scenic seaplane is another option. While this mode of transportation takes only 15 minutes, it is also the most costly option. Considering these different transportation modes to Hayman Island, each requires a reservation and may incur a fee if cancelled. Depending on the point of origin, international and domestic visitors mostly arrive at the Proserpine airport and then transfer to Hamilton Island to gain access to Hayman Island (Fig. 8.1).

While the InterContinental Hayman Island Resort is setting a new benchmark for luxury, it also aims to set a new benchmark in sustainable and risk management practices in the region. Evidenced by comments to the media:

our intent is to not only provide a world-class guest experience but also to drive sustainability and improve resilience for the resort, evident through the installation of state-of-the-art in-room automation and building management systems which will greatly improve the energy efficiency of the resort (Greg Shaw, CEO Mulpha Australia. Daily Mercury, August 16, 2019).

Mark Eletr, the resort's first General Manager, said publicly:

if I were going to be anywhere in a cyclone, I would want to be here. Storm shutters can be installed on the front-facing windows in just 20 minutes...we keep our power, water and Wi-Fi, and we're well-stocked with food. It's safety first (Mark Eletr, former General Manager. ESCAPE news, Hayman Island, September 29, 2019).

However, it is not only Mulpha Australia, the company that owns the Hayman resort that is committed to sustainability. IHG, one of the large global hotel and resort brands that currently manages the resort also shows their commitment, ensuring the facilities are managed in a sustainable way. The InterContinental Hayman Island Resort stated in November 2019:

during their stay, guests will be taken on a journey of education when it comes to the island's neighbouring reef ecosystems and will be exclusively supplied with reef-safe sunscreen...guests also receive a complimentary, reusable water bottle upon check-in reinforcing the ban on single-use plastics. The resort has also implemented a unique glass-to-crusher which will recycle glass bottles for use in the island's garden...reduce paper usage with in-room iPads...in-room technology which will conserve maximum energy.

While the individual commitment to sustainability is displayed by both companies, Mulpha Australia and the IHG, there is also a presence of an overarching sustainability governance framework that all tourism operators, visitors and individuals within the Whitsundays region need to adhere to (see the Whitsundays Plan of Management 1998 (Federal Register of Legislation, 2018) for details).

Discussion and Activities

Most tourism resorts in the Whitsundays region, including the InterContinental Hayman Island Resort, are located in pristine natural environments and are a part of the broader tourism destination system. It becomes evident that operations management activities and actions in these tourism resorts need to consider not only the demand elements such as tourism numbers and climate but also the broader tourism destination system. The smallest event could potentially impact the performance and the resorts' ability to succeed. The management and operation of tourism resorts in the world of climate change now call for different management mindsets that foster agility, creativity, cooperation and collaboration, and sustainable leadership.

1. Is the Whitsundays region still attractive enough to attract investment in tourism resorts?
2. What are the key external forces that may significantly affect, positively and negatively, the operations of the new InterContinental Hayman Island Resort?

3. How important is location to the Hayman Island Resort's success?
4. What factors influenced the size and class of the Hayman Island Resort?
5. What might be the key operations-based issues faced by the Hayman Island Resort?
6. As operations management is concerned with the transformation of resources through various business processes, what behaviours should the resort managers show to model sustainable practices?
7. Why does this case study suggest that resort managers should adopt a mindset that fosters agility, creativity, cooperation and collaboration, and sustainable leadership?
8. Use the 4Vs model to describe the Hayman Island Resort. How could a change in any of the Vs affect the operations of the resort?

Research Activities

Essay/Presentation

It is evident that the success of the InterContinental Hayman Island Resort might be influenced by climate change and the decisions associated with mitigation or adaptation made by the different actors in the Whitsundays' tourism destination system. Describe how the InterContinental Hayman Island Resort is likely to be affected, the operations management decisions and actions the resort is taking now to address the effects and discuss what other actions you believe the management should consider implementing.

Essay Due to the complex nature of tourism destination systems, stakeholders' actions may not be fully controlled while pursuing the achievement of mutual destination outcomes. Could influence foster such outcomes? Discuss how individuals (e.g., customer facing employees, back of house employees, middle managers, general manager, etc.) could demonstrate greater responsibility and lead the way forward and in doing so, contribute to the achievement of mutual destination outcomes.

Project/Development of Operations management Plan

Based on your assessment of the current situation of the Whitsundays region, you are to develop an operations management plan for the Hayman Island Resort, which includes: emergency evacuation, staff training, sustainable education program, stakeholder engagement.

Conclusion

Destination and climate factors pose significant challenges on effective operations of resorts located in tropical coastal and island destinations. This case study presents information to enable students of management to apply different operations management theories and concepts to put forward suitable strategies to optimise sustainable performance and future survival of tourism resorts.

Teaching Note

Case Summary

Most tourism resorts in coastal and island destinations face increased challenges associated with changing and sometimes chaotic location and climate factors. The key learning objective for students is to understand and critically assess the various tourism destination factors (e.g., socio-economic, physical and climate) that might affect the success and survival of resort operations, and develop suitable strategies to facilitate order in both, the complex tourism resort and tourism destination system. This research-based case study offers opportunities for students to apply different theories and concepts from the field of operations management and encourages students to conduct additional research to present a comprehensive set of suitable recommendations.

Teaching and Learning Objectives

1. *Identify and critically assess the key tourism destination factors, which may impact effective operations of tourism resorts*
2. *Develop a suite of operations management strategies to facilitate order in tourism resorts and tourism destinations*
3. *Critically discuss the role of professional responsibility and leadership, which destination stakeholders (e.g., managers, staff, business owners, government etc.) need to showcase to foster and enable resilient and sustainable development of tourism resort destinations*

Target Audience

This case study is designed for both undergraduate and postgraduate students of management, and specifically suitable for students on hotel/tourism management courses. The case study encourages students to explore not only the organisational

context but also the context of the broader tourism destination system. While both cohorts are asked to explore the complexity of the tourism destination resort context, masters students can explore to a deeper level the complex and sometimes chaotic nature of the Whitsundays' tourism destination system, including the events that escalated in chaos and progress in the destination. Specifically, they need to explore how such knowledge could inform more effective functioning of the destination, the tourism organisations, and the Hayman Island Resort. Effective operations management knowledge and professional competencies (e.g., written and oral communication, collaboration, critical thinking, problem solving, professional responsibility) are highly sought after by hotel/tourism industry practitioners globally, and this case study presents a good opportunity for the students to develop or strengthen these skills.

Teaching Approach

This case study will suit subjects, which focus on operations management of hotels/resorts. It offers a general overview of the tourism destination and resort context in the Whitsundays, which sets the foundation for critical thinking, discussions and further research. An application of various operations management concepts (e.g., location factors, effective management and leadership practices, corporate social responsibility, facilities and product design practices, input-process-outcome etc.) is recommended so that students can formulate effective and sustainable operations strategies.

Indicative answers:

1. Is the Whitsundays region still attractive enough to attract investment in tourism resorts?

The case study identifies various elements that may support/limit the attractiveness of the destination; all in all, the current state indicates that there are more attractors rather than limiting drivers, which appeals to those wishing to invest in the region (e.g., tourism operators, hotel/resort investors, entrepreneurs etc.). Considering the resort is for those customers who seek the 'sun, sea and sand' experience in a luxury environment with close proximity to the Great Barrier Reef and other natural, cultural and man-made attractions, the destination is seen as very attractive.

The accommodation data show that the region has been resilient over the past several years, despite some of the catastrophic events that hit the region on several occasions. ADRs and Occupancy remained at consistent levels throughout the years.

The region (e.g., government and local council) seems to continually invest in resources to grow the tourism and other industries. It creates an ideal environment to attract investors.

Students should further research the socio-economic factors and physical factors to better support their views and arguments.

2. ***What are the key external forces that may significantly affect, positively and negatively, the operations of the new InterContinental Hayman Island Resort?***

Some examples include climate, travel demand, economy, social-cultural factors, government policies etc. Students should discuss possible consequences of each force on the operations of the Hayman Island resort.

3. ***How important is location to the Hayman Island Resort's success?***

Resort location is very important to Hayman Island resort as it depends on high value customers looking for the secluded natural environment, pleasant climate, and luxury resort products, services and experiences. The location has been seen for many years as a unique and popular tourism destination, and the tourism demand for the greater Whitsundays region has been growing steadily, despite the issues associated with climate change. Having good infrastructure network and access to the key inputs (e.g., raw material, staff, customers etc.) means that the resort is positioned to take advantage of these destination resources. However, change associated with any of these resources could significantly compromise the efficient and effective functioning of the resort operation.

4. ***What factors influenced the size and class of the Hayman Island Resort?***

The anticipated output (e.g., how many customers can access the island during high season so the natural environment could be effectively managed). The size of the facility was also determined by external stakeholders/agencies. The selection of class (luxury category) was influenced by location-based factors, the state of the accommodation market (e.g., the current supply of luxury, upper upscale, upscale, upper midscale, midscale, economy properties and rooms), and the tourism demand (domestic and international) to the region.

5. ***What might be the key operations-based issues faced by the Hayman Island Resort?*** Some issues: deciding where to source raw material (all inputs into the operations); how to manage human resources (e.g., local and international sources); how to manage chaos/crisis, organising the workforce/departments to achieve orderly and efficient production and customer service; managing recreational activities and resources; maintaining facilities; supporting stakeholders, and so on.

6. ***As operations management is concerned with the transformation of resources through various business processes, what behaviours should the resort managers show to model sustainable practices?***

Managers should engage in effective and continuous communication of the organisation's CSR values, model the right behaviour to deliver on such values, and encourage all employees to do the same in their daily practices. The demonstration of the right behaviour may include effective use of resources (inputs), design and development of efficient processes (transformation of inputs), and responsible delivery of products/services (use, re-use and disposal of outputs – reducing the social and environmental impact), while also producing economic impact.

7. ***Why does this case study suggest that resort managers should adopt a mindset that fosters agility, creativity, cooperation and collaboration, and sustainable leadership?*** Many hotels/resorts would be structured and organised for maximum efficiency and effectiveness to minimise costs and maximise profitability. However, considering the changing environment and the complex nature of the tourism destination and resort systems, today's managers need to be more agile to make effective decisions under the increasingly changing conditions. Creativity can better support timely decisions, especially when new situations, challenges and problems are encountered. Resort managers need to also encourage and support other employees (all levels) to take responsibility and engage in behaviour that will support the development of positive organisational culture and great customer service. Resort managers need to be also visible in their community and engage in strategic decision making/stakeholder engagement to foster the development of suitable conditions in the region, which may mutually benefit the different stakeholders, including the resort business. All hotels and resorts are expected to demonstrate CSR responsibility; thus, resort managers should practice leadership that will model and drive better sustainable practices and create a culture of innovation.
8. ***Use the 4Vs model to describe the Hayman Island Resort. How could a change in any of the Vs affect the operations of the resort?*** The four Vs are volume, variety, variation, and variability.
- Volume refers to size or scale of the output (e.g., restaurant output, recreational activities output, accommodation output) – the number of meals/drinks, customers are served in a specified time period.
 - Variety refers to the size of the product range or number of services/experiences offered. For example, the number of resort activities offered or accommodation style (e.g., glamping, adventure).
 - Variation describes how the level of demand changes over time and therefore affects the volume of inputs and outputs. This may be hourly, daily, monthly etc.
 - Variability refers to the extent to which each product, service and experience can be customised.

Change in any of the 4Vs can have minor to significant consequences on the operational costs the resort may incur, and the experience the resort guests receive/perceive. For example, the resort manager's decision to close down several recreational activities during a low season may negatively impact the guests' level of satisfaction during this time. Thus, managers and staff must pay attention to the internal changes proposed/made in all departments to outline the consequences that these can have on other departments or the overall resort system.

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Chapter 9

Hotel Revenue Management Strategy – Impacts and Consequences of Changes in Management



Antoine J. Bisson

Abstract Revenue Management (RM) is a set of practices for businesses to improve their revenue generation tactics and strategies. RM originated in airlines and spread to the hotel industry as a successful set of tools. This case study focuses on a contemporary study of hotel RM, namely the implementation of RM strategies. Using a fictional scenario, the case study examines different RM strategies and guides readers to distinguish each strategy's characteristics. Furthermore, the case study leads readers to question and research the potential impacts and consequences of implementing RM strategies. To contextualise the case study, readers will get access to data from Smith Travel Research (STR), presented for the Wollongong market. The case study follows Alec Weiss as the owner of the Landorn Hotel Wollongong, and his dilemma facing the choice of RM strategy for his hotel. For the past 5 years, the revenues of the Landorn Hotel have been decreasing steadily, consequently affecting the profits. Landorn International is a multinational hotel company that has been managing Alec's property for the past 5 years. Their contract is due to expire in 2020 and Alec is wondering whether to renew it or change the hotel management, and therefore its RM strategy.

Keywords Hotel Revenue Management · Revenue Management Strategies · Implementation Strategy · Mixed strategies · Centralised Revenue Management · In-house Revenue Management · Outsourced Revenue Management

Introduction

This case study follows the fictional Landorn Hotel Wollongong and Alec Weiss, its owner. Market performance data from the Wollongong market was obtained from Smith Travel Research (STR) to set the scene and provide a realistic context to the

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hotel's performance in comparison to the overall market. All other data and hotel descriptions are fictional, though were inspired by real-life hotels. Students should refer to Altin's (2017) taxonomy to identify and evaluate RM strategies in use in hotels. This will enable an appraisal of consequences and impacts of the implementation of new RM strategies. Students should review the benefits and drawbacks of each RM strategy and reflect on how the ownership of a hotel plays a part in the choice of RM strategy.

Scenario

Alec Weiss owns eight properties throughout Australia, half of which are managed by two large companies: Landorn International and Elwyon Hotels. The other four properties are operated as independent properties by local teams; and their general managers (GM) report directly to Alec. Each of Alec's hotels is run differently, largely due to their location: the properties managed by Landorn International and Elwyon Hotels are close to larger cities: one south of Sydney, one in Wollongong, one in Newcastle and the other in Nowra. The independently run properties are located in regional areas: Dubbo, Orange, Katoomba and Merimbula (Fig. 9.1).

Alec has been very pleased to see most of his hotels maximising profits over the past years. The only hotel that has been constantly struggling is the Landorn Hotel Wollongong. The property's revenues had decreased by over \$2,000,000 in the course of 5 years, and the overall profits by nearly \$1,000,000. Alec was wondering what type of Revenue Management (RM) strategy was currently in place at this



Fig. 9.1 Map of New South Wales highlighting where Alec Weiss' properties are located

property, as opposed to the others; and what could be changed to increase revenues and profits. Moreover, the Landorn's management contract is due to expire in 2020, which provides Alec with the opportunity to either renew the contract or change the hotel management and its RM strategy.

The Landorn Hotel Wollongong

The Landorn Hotel Wollongong is an upper midscale 3.5-star hotel located at a five-minute walk from the beachfront. The hotel possesses 238 rooms, with five room types: Standard King, Standard Twin, Deluxe King, Deluxe Twin and Family Room. Furthermore, the Landorn Hotel boasts the second largest hotel function space in Wollongong: with a grand ballroom hosting a maximum of 500 people, and a further 11 meeting rooms, ranging from 10-people (pax) boardrooms to 80-pax function space. Moreover, the Landorn Hotel also possesses a second entrance, directly to its function space, where it can welcome leisure or corporate groups to their allocated meeting room.

The Landorn Hotel has three food and beverage (F&B) outlets: one breakfast room with a capacity of 60-pax, serving both continental and full buffet breakfast, a 120-pax Italian restaurant that is opened only for dinner, and a sports-themed bar, which attracts mostly locals. Despite only being a 3.5-star property, the hotel also has valet service with special access to the adjacent parking, as out of the 540 parking spots, 80 are reserved for hotel guests.

The Landorn International Brand

Landorn International is an American-based hotel management company. The company has over 80 years of experience and provides hotel owners with a management team to operate their properties. Through time, the company has created its own centralised systems, all based in their headquarters in Trenton, New Jersey. As part of the contract, each Landorn operated hotel would obtain access to a centralised reservations team, a centralised sales and marketing team and a centralised revenue team. Furthermore, in the last 20 years, the Landorn International has also created its own Automated Revenue Management System (ARMS), called Total-Revenue. The Total-Revenue system is a recommendation-based ARMS, which analyses data, produces forecasts and proposes tactics and strategies on pricing and inventory management to its users. Only the centralised RM team uses this tool, with data from each hotels' Property Management Systems (PMS).

The way the Landorn International operates its centralised RM services is by allocating a team of three to six RM analysts and a Revenue Manager per property portfolio. RM analysts are responsible for transferring data from hotels' PMS into the ARMS and to create booking pace reports, analysing when customers make

their reservations. Furthermore, the team of analysts also generates pricing strategies and inventory controls recommendations. The Revenue Manager, whose role is to supervise the implementation of pricing strategies and inventory controls, then approves these recommendations. Each portfolio consists of at least four hotels located within the same geographical region. The centralised RM team also works with the centralised sales and marketing team regarding market segmentation, group bookings and displacement. This leaves the hotels with very little decision-making power in relation to RM tactics and strategies.

Literature Review

The field of revenue management (RM) is a critical study for hotel management, both from an operational perspective and a strategic one. RM is the study of revenue generation, cost minimisation and profit maximisation (Haley & Inge, 2004). RM operational studies focus on the application of RM practices and concepts, such as pricing strategies and inventory controls. RM strategic studies concentrate on long-term RM practices, such as the creation of a RM culture within an organisation or the choice of a RM strategy for a hotel. Altin (2017) identified and developed five RM strategies: in-house, centralised, corporate outsourcing, third party outsourcing and mixed methods.

Hotels have usually followed a decentralised structure, by having onsite departments in charge of the well-being and the decision-making of a single unit (Mainzer, 2004). When hotels started applying RM, this led to having RM decisions made locally. Altin (2017) defined this application of RM as in-house RM, where a single revenue manager works at and for a single property. Centralised RM is the logical continuation of in-house RM, when it becomes too costly, too complicated, or both, to have an onsite Revenue Manager (Ferguson & Smith, 2014; Kimes, 2017). Due to new technologies, RM decision-making processes can be made anywhere and are thus not restricted to being made on-property (Lamminmaki, 2005). Centralised RM can be used for more than one property's RM decision-making (Emeksiz et al., 2006), which led to the creation of RM teams at headquarters, corporate offices, or regional offices. This is what Altin (2017) referred to as corporate outsourcing.

The rise of technology sometimes meant that the RM decision-making of a hotel was given to an external company (Sigala et al., 2001), which Altin (2017) distinguished as third party outsourcing, but what most researchers simply name outsourcing. Outsourcing RM has taken a prominent place in the industry today, as not all functions of RM need to be outsourced (Cuddeford-Jones, 2014). Using RM tools such as Automated Revenue Management Systems (ARMS), key components of RM can be managed away from the property (e.g.: forecasting, inventory and pricing management or channel management). The existence of these several RM strategies also led to the creation of hybrid models used by companies (Colton & Wolford, 2013). These are referred to as Mixed models (Altin, 2017).

Altin (2017) argued that there are several reasons for a company to choose one RM strategy over another, with the main ones being: ownership, cost, size of the property, fear of the unknown and finding qualified employees. Queenan et al. (2011) agreed that differences in ownership, franchise or management can be the cause of the choice of different RM strategies of a hotel, though these differences in ownership do not have an impact on RM performance. Altin et al. (2017b) furthermore reinforced this multiplicity of stakeholders as a major impact in the choice of RM model. This is supported by Mainzer’s work (2004) who also blames these differences in hotel ownership for the slow adoption of RM in the industry. Moreover, Altin et al. (2017a) investigated whether the choice of RM strategy would affect the hotel performance and empirically found a correlation between the choice of RM strategy and the growth of hotels’ Revenue Generation Index (RGI). The RGI is an index that compares a hotel’s revenue per available room (RevPAR) to the average of its competitors’ RevPAR. RevPAR is the most commonly used Key Performance Index to evaluate a hotel’s performance within a market (Cross et al., 2009).

Discussion

Alec’s Worries Increase When Profits Decrease

Alec had concerns about the Landorn Hotel Wollongong, stemming from the results of the RM strategy implemented. Over the last 5 years, revenues had decreased steadily, with a \$2 million negative variance between 2015 and 2019’s results. Despite an attempt, year by year, to cut costs to have positive profits, these had also decreased progressively, finishing at a \$1 million negative variance between 2015 and 2019 (Fig. 9.2). The effort in cost management had failed, due to the consistent drop of total revenues of the hotel.

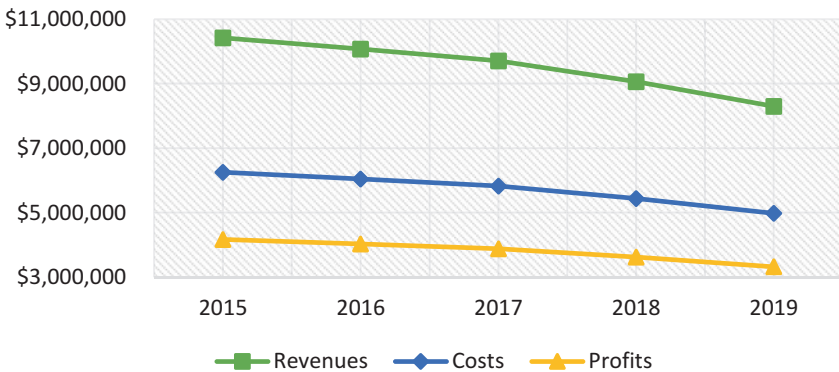


Fig. 9.2 Landorn Wollongong Profits (2015–2019)

Since the centralised team in the United States made all RM decisions, the hotel staff had no real information about the direction and vision of the hotel's RM strategies. The hotel GM could clearly see that the hotel was far from profitable, but lacked information to understand where the issue was coming from (Fig. 9.3). Each head of departments was doing their best to control costs, as these were not managed by the centralised RM team. As such, all operating departments had put in place heavy cost reductions and cost control measures throughout the last 5 years, following the drop in revenues. The Front Office (FO) department stopped using casual staff, focusing on full-time receptionists instead and empowered the receptionists resulting in the removal of one Duty Manager off the payroll. Furthermore, the hotel stopped staffing its 24-h reception and offered a 6 AM to 10 PM manned-reception to guests. The Food & Beverage department (F&B) focused its effort on cost cutting in the kitchen and purchased lower quality items for its buffet breakfast and Italian restaurant. Moreover, the bar staff changed the beverage selection to cheaper options. The Housekeeping department also managed to cut costs, by changing the amenities offered in-room, from individual shampoo, shower gel and conditioner, to large dispensers – promoted as a sustainable new practice.

The only section of the hotel whose costs *increased* through time was the Banquets and Events department. Indeed, the current RM strategy in place heavily targeted groups and corporate accounts, as part of the Landorn International's usual strategy when taking over a new hotel. Landorn International's usual initial strategy was to build a hotel's business base before focusing on leisure individuals and weddings. This was a trialled and tested strategy that the Landorn brand had been using for many years in the United States. The rationale was to push a hotel's occupancy before starting to, slowly, raise rates. Though the first part of this strategy worked, as the occupancy increased from 84% to 96% within 5 years, the second part was yet to work, as the Average Room Rate (ARR) had dropped from \$142.86 in 2015 to \$103.13 in 2019 (Fig. 9.4). This also meant that the Revenue per Available Room

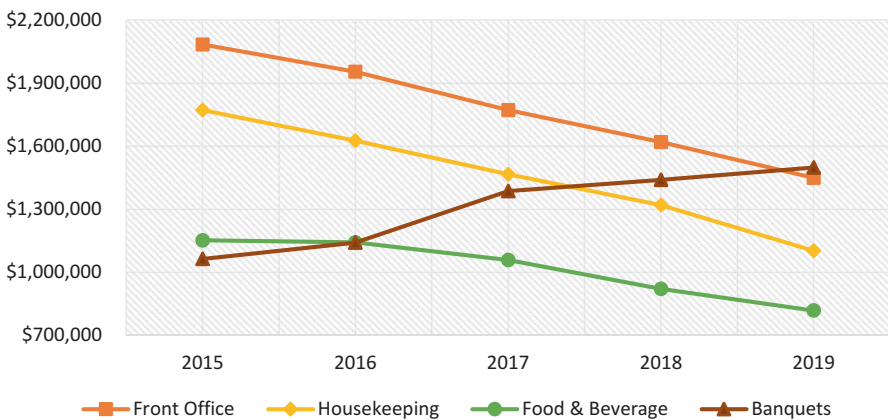


Fig. 9.3 Landorn Wollongong Operating Costs (2015–2019)

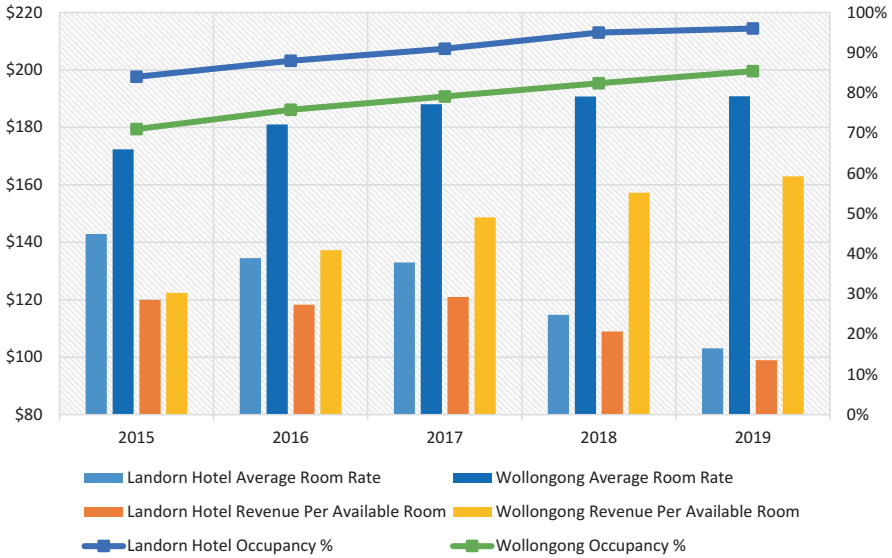


Fig. 9.4 Landon Hotel data compared to STR trend of Wollongong market (2020). (Source: STR, LLC. Reproduction or other re-use of this data without the express written permission of STR is strictly prohibited)

(RevPAR), the most important hotel Key Performance Index, had also significantly decreased within 5 years, by \$21.

The Landon Wollongong’s GM, his team, as well as Alec, had also access to benchmarking reports from the well-recognised Smith Travel Research (STR) company. As opposed to the Landon centralised RM team’s strategy, the average trend figures for occupancy and ARR for the entire Wollongong market had both increased through time. Moreover, Wollongong’s supply had also increased through the last 5 years from 374 to 385 hotels in total, with 18 hotels operating as upper midscale hotels, like the Landon Hotel Wollongong.

Furthermore, the Landon Wollongong’s GM and his team compiled data against their direct competitors, which were also used as Key Performance Indicators (KPI) for the Landon centralised RM team. Alec had just received a report outlining the last 6 months of occupancy, ADR and RevPAR indexes. These indexes were a comparison of each metric to the average of the competitors’ metrics (Fig. 9.5). The occupancy, ADR and RevPAR indexes were computed by STR and the hotel management team would then have to argue each result to Alec, trying to justify increases and decreases in the indexes. An index higher than 100 was generally positive, showing stronger results and management than the overall competitors; however, an index below 100 was generally negative, showing that the competitors had successfully stolen some of the hotel’s market share.

Though the occupancy index had successfully managed to stay above 100 for the last months of 2019, the first month of 2020 showed a change in that trend. Coupled

Monthly Indexes

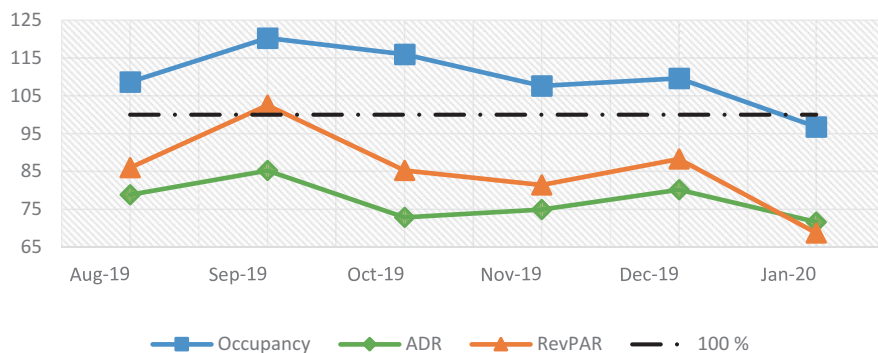


Fig. 9.5 Monthly Indexes against competitors

with ADR indexes consistently below the 100-mark, this meant that the RevPAR indexes, the most important KPI, were likewise below the average of the Landorn Wollongong's competitors, apart from the month of September 2019, when banquets and events had been at peak season for the hotel, receiving group after group and successfully achieving an occupancy index above 120, and raising the RevPAR index above the 100-mark. These results were the latest ones from a trend lasting for 5 years. The overall decrease in revenues and profits through time, coupled with the data from STR led Alec to believe that the RM strategies in place were ineffective and that something could be done for the Landorn Hotel Wollongong. Alec decided to review his other hotels' RM strategy to have a more holistic view of his assets and their profit opportunities.

Do We Already Have a Solution in Place Somewhere?

Alec's property in Merimbula, New South Wales, is run as an independent hotel and has its own Revenue Manager on-property. The hotel is a 50-bungalow resort, only a short walk to the beach, located in a competitive area of Merimbula. Due to its proximity to the beach, the hotel competes with another six properties, all very similar in size and services offered. The onsite Revenue Manager is responsible for all RM decisions for the property. Due to the competitiveness of the hotel market, the Revenue Manager has enlisted the help of an outsourced ARMS to facilitate and hasten the decision-making process. Using an ARMS was very much needed to have up-to-date and reliable data to base decisions on. The Revenue Manager works in partnership with IDEaS, a well-established RM solutions provider, and uses their IDEaS Pricing System (PS) for forecasting, pricing and inventory control decision-making. Having its own onsite Revenue Manager seemed like the best strategy for

the Merimbula resort, as current and local knowledge were critical to have to make appropriate RM decisions. Moreover, as the Revenue Manager lived in the city, he could easily react and change strategies based on up-to-date information or changes in patterns identified by the IDEaS PS.

Alec's second independently-run hotel does not have a Revenue Manager; however, the Reservations Manager is responsible for RM decisions. As the property possesses only 32 rooms, there was no need for an onsite Revenue Manager. This hotel is based in Katoomba, within the Blue Mountains region, which is an increasingly competitive market, with Airbnb increasing its lodgings and standing at more than 300 accommodations as of 2019. The Reservations Manager uses an outsourced ARMS, free of charge, called Rev+. The Rev+ tool is an ARMS developed by Expedia as part of their service offer. The tool helps the Reservations Manager with RM decisions relating to competitors' prices and the hotel's pricing calendar. It should be also noted that Expedia handles roughly 50% of the Katoomba hotel's inventory on a yearly basis. Using an ARMS also helped the Reservations Manager greatly, as creating and implementing the revenue strategies of the hotel were only her second set of duties after handling all the hotel's reservations. Furthermore, using the Expedia platform helped her to understand, and therefore learn, booking paces and patterns – when customers make their reservations – and other RM knowledge.

The 65-room Dubbo Hotel has its own Revenue Manager on-property, though she is also responsible for the Reservations and Sales decisions of the hotel. The Revenue Manager is newly promoted, from the Sales department, and uses Excel spreadsheets to run forecasts of booking paces. The Excel spreadsheets had been created 10 years ago by a previous hotel GM who was an Excel wizard. Having an onsite Revenue Manager with increased duties was the best compromise the current hotel's GM could create, as, due to the hotel's size, there could only be a limited number of department heads. Due to her lack of knowledge and training in RM, the current Revenue Manager is often found in demanding situations and has requested stress leave more than once. However, due to the hotel's central location in the city centre, the hotel's visibility is very high and frequently closes out at 100% occupancy.

Lastly, the hotel's GM in Orange had decided to outsource all RM decision-making to a local company called ASM. As such, there is no Revenue Manager at the property and the GM is only responsible for handling the relationship with the outsourced company. ASM is a new company that has been in operation for less than 5 years, built by ex-hotel managers, to help hotels concentrate on their core business: hospitality. ASM is available 24/7 and monitors constantly the hotel's inventory, booking pace, room pricing and distribution channels. The GM was very pleased to have experienced hotel managers from the ASM company, and trusted them to handle both day-to-day and long-term RM perspectives of the hotel. Furthermore, the cost of having outsourced the RM decisions to ASM was cheaper than have an onsite Revenue Manager. The only concern the GM had was the lack of control on specific issues, like some package prices or distribution channels he wanted to use. The GM could contact ASM to let them know of his preferences, but ASM controlled completely all RM choices and had the final say in each decision.

Business Problem and Questions

As the end of the contract with Landorn International is looming ahead for the Wollongong property, Alec was deliberating if he should renew the management contract or allow the hotel to be run independently, much like his other four properties. Changing the hotel management would impact the RM strategy in place at the hotel, and Alec found that he had more options than he thought, with RM strategies including using a centralised team, an onsite Revenue Manager, an outsourced company, an outsourced ARMS or a mix of those.

You have been hired by Alec as a hotel consultant to help him make his decision. You need to further his exploration on hotel RM strategies and provide him with an extensive research on each possible strategy. Using the following questions, you will build an in-depth understanding of the topic for Alec.

- Using Altin's taxonomy (2017) and your own research, discuss the benefits and drawbacks of each Revenue Management strategy in use in this case study.
- Select and defend a Revenue Management strategy for Alec to use at the Landorn Hotel Wollongong.
- Examine the possible consequences (human, financial, technological etc) of your chosen Revenue Management strategy at the Landorn Hotel Wollongong.
- Analyse the different factors playing a role in the choice of a Revenue Management strategy.

Conclusion

This case study reflects on the implementation of revenue management (RM) strategies in hotels. The scenario follows Alec Weiss as the owner of the Landorn Hotel in Wollongong, an underperforming property part of Alec's portfolio. Alec reviews the management styles of each of his independently run hotels to try to determine if another management style, and therefore RM strategy, is more suited for the Landorn Wollongong. This case study helps the students to research on a strategic function of RM: the choice of a hotel's RM strategy. Furthermore, the case study also showcases the ownership and management style of a hotel as key factors in the choice of a RM strategy.

Teaching Note

Case Summary

This case study highlights different Revenue Management (RM) strategies currently in use in the hotel industry, illustrated in a fictional scenario. This case study follows Alec Weiss, owner of eight hotel properties throughout New South Wales (Australia),

and the description of RM strategies within his independently run properties. Alec faces a dilemma with an underperforming hotel that is managed by an international hotel brand and asks himself whether to change or not the management, and therefore the RM strategy, at that property.

Students will use two articles as the foundation of their argument: Altin (2017) and Altin et al. (2017a). The first one presents a taxonomy on the different RM strategies that exist; while the second one compares the growth of RGI (revenue growth index), a key hotel metric, with each RM strategy in place at a sample of hotels. These two studies will be explained further below in the Framework.

A key benefit of this case study is its polyvalence, as it can be used for both undergraduate and postgraduate students. Learning objectives and sample questions were built to reflect this aspect of the case study. Moreover, postgraduate students can be led towards a deeper understanding of the importance of a hotel's ownership as a key factor for choosing a revenue management strategy.

Target Audience

The case study can be utilised for both undergraduate and postgraduate students. The overarching theme of RM is generally found in both level of studies. However, the theme of RM strategies is typically part of a strategic-focused topic within a RM class, which undergraduate studies do not always include. Postgraduate studies will often focus on a holistic and strategic approach to RM, which may contain an analysis of RM strategies.

Teaching and Learning Objectives

This case study has three learning objectives for students. The objectives focus at both levels of undergraduate and postgraduate students. The first two aim at the undergraduate students, while all three can be used for postgraduate students. The learning objectives are:

1. ***Evaluate various Revenue Management Strategy in use in hotels, identifying their benefits and drawbacks.***
2. ***Appraise the potential impacts and consequences of the implementation of a new Revenue Management Strategy.***
3. ***Critically analyse the context of ownership and management of a hotel as key factors in the choice of Revenue Management Strategies.***

Teaching Approach and Strategy

This case study can be utilised for individual, group or assessment work, though it is not advised to use it for exam, as it entails a great deal of research. This case study can be provided prior, during or after class delivery, for students to familiarise themselves with RM strategies, for students to apply concepts, or for students to provide an in-depth understanding of the topic, respectively. A suggested lecture plan is drafted in Table 9.1, taking into consideration when the case study is introduced:

Theoretical Perspectives for Guiding Students' Discussion

The use of Altin's (2017) seminal work on RM strategies will help students to evaluate the use of each strategy applied in Alec's hotels. Altin examines RM strategies used in hotels and lists five possible methods: in-house, centralised, corporate outsourced, third-party outsourced or mixed method. Altin defines in-house strategy as having all RM decisions made at the property. A centralised method takes place when more than one property are being managed together, by a corporate or a regional office. Corporate outsourcing however differs from a centralised model, as a branded hotel purchases RM services from the corporate headquarters (such as IHG's Revenue Management for Hire program). Altin then explains third-party outsourcing as the subcontracting of RM services, whether through a vendor or only for a system. Lastly, a mixed strategy refers to the use of more than one of the aforementioned strategies. Moreover, Altin's study also describes each strategy's benefits and drawbacks and provides illustration and support from the industry.

Furthermore, the follow-up study of Altin et al. (2017a) on matching a hotel's RM strategy to its RevPAR (revenue per available room) can also be used to appraise each strategy through time. Altin et al.'s research focuses on RGI, a key hotel metric that compares a hotel's RevPAR to that of its competitors. Altin et al.'s study attempts to highlight the RGI's evolution through time, comparing hotels

Table 9.1 Lecture plan for using the case study in class

Case study introduction	Main Theory/Concept to be delivered beforehand
PRIOR	RM foundations (demand forecasting, pricing and inventory management, distribution management) RM KPI (occupancy, ADR, RevPAR, indexes) and internal/competitive analyses Customer-centric RM (Tranter et al., 2008) Automated Revenue Management Systems (Mahesh, 2015) Customer Relationship Management (Milla & Shoemaker, 2008)
DURING	As above, plus RM strategies (Altin, 2017)
AFTER	As above, plus Impact of RM strategies (Altin et al., 2017a)

implementing different RM strategies. Using a sample of 602 hotels throughout the United States, their findings display that mixed methods produce the highest RGI at \$109.11 of average, followed closely by corporate outsourcing (\$107.39) and centralised method (\$105.87). In-house RM is the next best performing strategy (\$100.59), though at nearly a \$10 difference of RGI than the mixed method. Last is third-party outsourcing (\$94.99), found a full \$15 below mixed method. This study is limited to hotels in the United States, but it provides a strong foundation for an argument in favour of mixed methods.

Individual or Group Work: In Class Discussion

The case study can be utilised for in class discussions with students working individually or as part of a group. In either case, students will be asked to regroup to work together to answer the questions developed in the discussion. The activity should take approximately one hour to one hour and half in total, with reading the case study, answering the questions, researching further materials or concepts and discussing the answers found. It is advised to work with small student groups, in order to maximise engagement.

Assessment: Business Report or Group Presentation

Using this case study as an assessment, lecturers can ask students to either write a business report, present their findings in a group presentation, or both. The questions developed in the discussion can be used as the focus for the assessment, while lecturers can add more to design the assessment towards a particular aspect of RM.

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Additional Reading Material

To Know More About Each Market

Destination Wollongong - <https://www.visitwollongong.com.au/>

Destination NSW - <https://www.visitnsw.com/destinations/south-coast/jervis-bay-andshoalhaven/nowra>

Visit Newcastle - <https://www.visitnewcastle.com.au/>

Destination NSW - <https://www.sydney.com/>

Destination NSW - <https://www.visitnsw.com/destinations/country-nsw/orange-area>

Destination NSW - <https://www.visitnsw.com/destinations/south-coast/merimbula-and-sapphire-coast/merimbula>

Destination NSW - <https://www.visitnsw.com/destinations/blue-mountains/katoombaarea/katoomba>

Destination NSW - <https://www.visitnsw.com/destinations/country-nsw/dubbo-area/dubbo>

To Know More About Automated Revenue Management Systems

Expedia Press Release - <https://discover.expediapartnercentral.com/2018/10/22/rev-makinglife-easier-revenue-managers/>

IDeaS website - <https://ideas.com/solutions/offering/revenue->

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Chapter 10

The Expansion of MexHospitality: Exploring the Ethical Implications of Hospitality Outsourcing



Blanca A. Camargo

Abstract Ethics matter in hospitality and tourism. Moral issues abound in the development, management and marketing of hospitality and tourism products, experiences, and enterprises, including destinations, all of which require students to know not only what the “right” thing to do is, but also *why* it is the right thing to do, and *how* to communicate their ethical decisions to others. Despite the importance given to ethical awareness in hospitality and tourism settings by educators, students, and the industry, ethics education has taken very little formal space in tourism curricula. The decisions of hospitality and tourism leaders undeniably affect people’s economic, psychological, and cultural well-being, the environment, and even themselves so the purpose of this case study is to facilitate ethical competences by providing a scenario through which students can apply ethical, theoretical principles to solve a real ethical dilemma in the hospitality industry.

Keywords Ethical decision-making · Moral dilemmas · Ethics · Outsourcing · Hospitality

Introduction

What is the right thing to do in business? Hospitality and tourism managers are often confronted by situations that will test their moral standing, and conflict often arises when a decision-maker must consider two moral duties and can only honour one of them. In this case study, a new member of the Board of Directors of an established hospitality corporation in Mexico faces a difficult decision: She must approve or oppose a business strategy to reduce operational costs and give her company greater flexibility to accomplish its expansion goals with a potentially detrimental impact on thousands of employees and organizational culture. Despite its legality,

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outsourcing has strong implications for all stakeholders, thus requiring business and ethical considerations to be carefully assessed before adopting it as a business strategy.

Background

MexHospitality

MexHospitality is a private company dedicated to the construction, acquisition, and management of hotels in Mexico. It currently operates 24,000 rooms in 150 hotels distributed in 60 markets and it has an ambitious expansion plan to open 100 additional properties over the next five years. The company features three main brands: *Epsilon Hotels*, which offer spacious rooms and functional areas for meetings and corporate functions; it is the brand for business travellers who tend to be Mexican, Latin American, and American managers, contractors, and visitors to fairs, meetings, and conventions. Epsilon properties are located in the business districts of big cities such as Mexico City, Monterrey, Guadalajara, and San Luis Potosí. *Platinum Hotels* is its luxury hotel concept, with sophisticated rooms and spaces, gourmet cuisine, and personalized service. Platinum guests are mainly members of the Mexican elite and American and European tourists with high purchasing power who vacation in the country's beach resorts and colonial and urban destinations. *Azteca Inn*, on the other hand, targets the budget-conscious traveller with smaller spaces, standardized services and amenities, and affordable rates. These hotels are located in medium and small cities in Mexico and in the suburban areas of metropolitan cities.

While hotel occupancy rate for beach hotels is high during winter and holiday seasons, city hotels maintain stable occupancy throughout the year. To increase room sales, MexHospitality has signed corporate account agreements with more than 300 organizations, including travel agencies. It also offers a loyalty program with benefits such as discounts, upgrades, and free nights for frequent guests.

MexHospitality is known as an innovative hotel company, adaptable to the needs of the market. Its business philosophy is to make its national and international guests happy, giving warm and cordial service to everyone. The company employs about 14,600 employees, 40% of whom belong to a union; the company–union relationships are good and there have not been any significant disputes in recent years. Besides their salary and legal benefits, staff receive a pension plan, major medical expense insurance, meals, and up to ten free stays at any of the properties. General managers and hotel executives receive an annual bonus based on their individual and property performance evaluation. To increase talent retention, the company has implemented career development plans for its operational staff, such as kitchen receptionists and room supervisors, and middle management; between 2015

and 2018, more than 3000 individual professional development plans were designed for employees in key destinations.

As part of its social commitment, MexHospitality seeks to carry out its operations in an economically, socially, and environmentally sustainable manner, taking into account the needs of their interest groups. In 2019, the company received the ESR Award¹ for its actions and programs that highlight its business ethics, promotion of quality of life, relationship with the community, and care of the environment. This recognition adds to other awards received by the company for its sustainable operations.

Difficult Times Call for Difficult Decisions

Since 2018 the hospitality and tourism industry in Mexico has been facing several challenges that affect tourism arrivals and therefore hotel occupancy rates and financial performance.

First, alleging misuse of funds, the newly elected federal government dissolved the Mexican Tourism Promotion Board (CPTM), closing its 23 international offices that marketed and promoted Mexico abroad (Mexico Tourism Board..., 2019). With this closure, all local destination tourism offices were left on their own, having to design and finance their own marketing campaigns, promotional activities, and public relations. Second, the United States government issued a Level 2 Travel Advisory (i.e. Exercise Increased Caution) to Mexico due violent crimes linked to drug trafficking (U.S. Department of State, 2019), which greatly affects visitation from North American tourists, the number one visitor market for the country. Other issues affecting the hotel industry include the economic slowdown of the Mexican economy (0.0% GDP growth in 2019), the depreciation of the Mexican peso against the U.S. dollar, and the COVID-19 pandemic. All of these factors have had a direct impact on the overall occupancy rates of MexHospitality properties as well as on the financial stability needed to continue its expansion plans to become the leading company in the lodging sector in Mexico in terms of number of rooms, number of properties, geographic coverage, and market penetration.

In light of this volatile situation, the president of the company proposed to the Board of Directors that an internal restructuring be carried out and that staffing levels be reduced by outsourcing jobs in housekeeping, public areas, laundry, and banquets in all its hotels. This decision, combined with the sale of unproductive assets, the president argued, would help to reduce operational costs, staff recruitment, selection, and training, as well as costs related to labour compensation and fiscal payments that would allow the company to continue with its expansion plans and generate profit in the cities where new hotels are to be opened. The president

¹The ESR (Socially Responsible Company) Award is a recognition given by the Mexican Center for Philanthropy (CEMEFI) to organizations in Mexico and Latin America that are a model of best practices in social responsibility.

sends the outsourcing proposal to all the members of the council to be approved or rejected at the next board meeting that will take place in 1 month's time.

Outsourcing in Mexico

Outsourcing is the business practice of contracting the services of external employees, through a specialized agency or intermediary firm, to carry out internal activities or processes that do not correspond to the central function of the business. Commonly outsourced tasks in the hospitality industry are laundry, security, grounds keeping, food service, pool maintenance, IT, reservations, and financial services. The main advantages of outsourcing are that it allows companies to focus on their core business, reduce costs, be more efficient, and respond immediately to changes in the environment (Espino-Rodríguez & PadrónRobaina, 2004). Poorly implemented, this strategy can harm the company due to the lack of control over the quality of the contracted products and services, lack of experience of the external agencies, poor training of the subcontracted personnel, or unforeseen increase in the costs of the contracted services (Juras, 2008).

In Mexico, outsourcing is legal if three conditions are met (Federal Labor Law, Article 15):

1. It cannot comprise the totality of the activities of the company performed in the workplace; in other words, a company cannot outsource all its personnel.
2. Outsourced services must be justified by their specialized nature.
3. Outsourced services cannot include the same or similar activities to those performed by the rest of the employees hired by the contracting company.

Mexican companies are increasingly adopting this practice. By 2018, 900 outsourcing companies were formally registered (Mexican Association of Human Capital Companies, AMECH, 2019), but it is estimated that only 11% of them pay mandatory health insurance and only 4% pay taxes (Martínez, 2017). Of the total staff employed in the country in 2014, 16.6%, that is, one in six employees, are hired through outsourcing agencies (INEGI, 2014). In the hotel and restaurant sector, the percentage of subcontracted personnel was 25.2% in 2013, the highest percentage for companies in the country's service sector.

A Difficult Vote

Angela Calderón is the newest and only independent female member of the MexHospitality Board of Directors. She has more than 20 years of experience in human resources management and currently works as an independent hospitality consultant. Thanks to her extensive experience in human resources, she knows that for hotel employees this decision will represent the loss of their jobs and work

benefits and their omission from Profit Sharing Payments (PTU),² in addition to the low morale and poor work environment that will ensue as a result of this organizational change. Angela is also very aware of the importance of meeting the company's expansion goals and commitments to the shareholders to whom she has a responsibility. Being new and not a proprietary member, Angela knows she will have to have very solid arguments to support her decision for or against the outsourcing proposal.

Discussion

Angela Calderón faces a moral dilemma: a situation in which she must consider different duties but can only honour one of them (Kvalnes, 2019). She has to decide whether to support or oppose the outsource of thousands of front-line employees with the immediate consequences of their loss of seniority, job security, labour benefits, and other impacts, or risk the expansion plans of the company and jeopardize future profits for the company's shareholders as well as jobs and economic development in the cities where they will be located. With her decision, she will violate one important moral concern; either way she will do something wrong. What can she do to make the right decision?

Teaching Note

Case Summary

Ethical decisions matter in hospitality and tourism and future graduates need to be aware of the impact of their actions, and of their decisions on the environment and the society in which they operate. While many unethical actions are clear violations of laws, rights, and legislation (e.g. environmental degradation, labour exploitation, sex tourism, displacement of people from ancestral lands), others may not be seen as such (e.g. outsourcing, commodification of culture, poverty tours) and therefore become normal practices in hospitality and tourism.

There has traditionally been very little room in hospitality and tourism curricula for ethical considerations. They are often perceived as too abstract, too philosophical, or too far from the reality of day-to-day tourism operations. Based on a real situation in a fictitious corporation in Latin America, the present case study provides a

²By federal law, all private Mexican companies are obliged to distribute 10% of their taxable income among eligible full-time employees regardless of the number of days worked during the fiscal year. Newly created businesses during the first year of operations, newly created mining and extraction industries, and private charitable organizations recognized by Mexican law are exempt from this obligation.

platform to explore ethical issues in the hospitality industry, discuss how management decisions affect internal and external stakeholders, including the environment, and how some actions can be ethically reproachable even though they comply with the law. It also provides a real ethical dilemma that can be solved by applying key ethical perspectives and a framework for ethical decisionmaking in hospitality and tourism.

Teaching and Learning Objectives

1. *To introduce the concept of ethics and its importance in hospitality and tourism professions.*
2. *To encourage students to reflect on the consequences of their actions and decisions.*
3. *To promote discussion about the hospitality industry's responsibility towards its stakeholders.*
4. *To familiarize students with key ethical perspectives and their application to hospitality and tourism.*
5. *To develop ethical decision-making skills.*
6. *To make arguments to justify a decision when faced with ethical dilemmas.*

Target Audience

This case was developed for a Master of Business Administration (MBA) class, but it is also suitable for upper-level undergraduate and graduate students in hospitality, tourism, and/or business majors. For all students, it is recommended that they had taken an introductory hospitality class, so they are familiar with the organisational structure of a hotel, relevant stakeholders in the hospitality industry, and key hospitality and tourism concepts (e.g. occupancy levels, employee rotation, tourists segments), or have previous working experience in the hospitality industry.

Teaching Approach and Strategy

Teaching Plan

This case study can be used as a practice exercise in a 5–6 week module dedicated to the ethics of the hospitality and tourism industry. A suggested scheme would be the following:

- Introduction to ethics (1 section).
- Ethical issues in the hospitality and tourism industry (1 section).
- Key ethical perspectives (e.g. golden rule, utilitarianism, Kantian ethics, virtue ethics, justice theories, ethics of case) (3 sections).
- Ethical decision-making frameworks and case analysis (1 section).

Pedagogical Strategies

The following strategies have proved useful in applying this case study:

- *Lecture*: The instructor takes the lead in presenting the definition and meaning of ethics, the bases of moral behaviour (e.g. culture, religion, education, family values, societal norms), and explaining key ethical perspectives.
- *In-class group work*: Divide the class into groups of three or four students and ask them to conduct a stakeholder analysis. They should identify all internal and external stakeholders who could be impacted by the proposed outsourcing strategy and the direct and indirect impacts on each stakeholder group. Another group activity can require students to propose alternatives to outsourcing and compare their impact on all stakeholders and on the company's expansion plans.
- *Research assignment*: Students can research their country's labour laws and regulations regarding outsourcing and analyse the legality of the case in light of their local context.
- *Group discussion*: For graduate level, a discussion of the advantages and disadvantages of outsourcing as a business strategy.
- *Real life scenarios*: The class can simulate a Board of Directors meeting in which students, taking the role of directors, present their vote for/against the outsourcing proposal and negotiate a final decision on the matter.
- *Role playing*: Students can assume the role of Angela Calderón and write a letter to the Board of Directors of MexHospitality to formally inform them of her decision (approve or oppose) regarding the outsourcing proposal and the reasons behind such a decision. Through this strategy, students can enhance their argumentation skills to justify a decision when faced with an ethical dilemma.
- *"What if" reflexive essay*: Students can be asked to write an essay expressing their view from the eyes of the employees whose jobs are to be outsourced.

Trigger Questions

1. How do you personally distinguish right from wrong behaviour (the basis of moral behaviour)? How can our culture, our religion, or our societal values help us solve this dilemma?
2. Does the outsourcing proposal meet the three conditions stated in the Mexican Labor Law to be considered legal?
3. What could be the direct and indirect impacts of outsourcing on the staff?
4. Will the outsourcing of MexHospitality staff create the greatest benefit for the greatest number of people (discuss utilitarian ethics)?
5. Following Kantian ethics: How is MexHospitality treating its entry-level staff (apply Kantian categorical imperatives)?
6. Overall, is MexHospitality a virtuous corporation? What virtues or vices can be seen in the company's desire to outsource its personnel (discuss virtue ethics)?

7. What virtues do Angela Calderón need to make the right decision?
8. What would you feel if you were one of the employees whose jobs were to be outsourced?

Analysis

The analysis of the case will show that MexHospitality may be not breaking the Mexican law regarding outsourcing as it meets the three conditions stipulated by the Federal Labor Legislation. Upon application of key ethical perspectives, however, students may reach different conclusions about the morality of outsourcing in the hospitality industry. The following are four ethical traditions and how they can apply to decision making in the hospitality industry:

Utilitarianism focuses on the consequences of an action, specifically the amount of good and bad that it creates. An action is morally justified to the extent that it maximises benefits and minimises costs or harm to the greatest number of people, not to the person or organization performing the action or making the decision. Students will have to conduct a utilitarian analysis to determine if outsourcing—versus other alternatives to keep the company’s expansion plan alive—is the business strategy that creates the greatest favourable outcomes for all relevant stakeholders.

Kantian ethics offer a deontological lens through which to analyse the case. For Kant, the consequences of an action are irrelevant; actions are moral if they are done for the right reason, out of a sense of duty. What is the motive behind MexHospitality’s outsourcing proposal? Is it a good motive? Is it to fulfil a sense of duty? To whom? Kant formulated two categorical imperatives, or fundamental principles of our moral duties (Stanford Encyclopaedia of Philosophy (SEP), n.d.), both of which are useful to examine the morality of the outsourcing proposal. The first, “act only in accordance with that maxim through which you can at the same time will that it become a universal law,” can help students conceive a business world in which all organizations outsource their employees in the name of company growth or other objectives; the second, “so act as to treat humanity, whether in thine own person or in that of any other, in every case as an end and never as a means only,” claims that we should never use people merely to advance our own needs and goals as doing so will rob them of their dignity and human freedom. In this case, MexHospitality is clearly using its staff as a means to reach its financial and expansion goals.

A third ethical perspective is virtue ethics. Instead of judging the outcomes or the motivations of an action, virtue ethics judges the character of the agent who is undertaking that action, and whether his or her behaviour shows a tendency towards virtues or vices.³ A morally virtuous person or organization will engage in right

³A virtue can be defined as an excellent character trait; a disposition to act in a moral way (SEP, 2016).

Integrity, compassion, benevolence, empathy, tolerance, and inclusion are examples of moral virtues while dishonesty, greed, intolerance, deception, are considered character vices.

actions, at the right time, in the right manner, for the right reason, and also contribute to the development of the virtuous character of its employees, stakeholders, and customers. Is MexHospitality a virtuous corporation? What virtues or vices can be detected in the company's desire to outsource its personnel? On one hand, it could be argued that the company is showing the *courage* to take a bold decision to keep its expansion plans; in that sense the company is also *trustworthy*. On the other hand, it may be lacking *justice*⁴ as it is taking the labour rights and benefits of its entry-level staff to fulfil its promise to the company's shareholders.

Depending on class time and student academic level, care ethics can be introduced as a relational and contextual approach to ethical thinking. Grounded on the assumption that people are interconnected and dependent on each other, care ethics (Gilligan, 1995) motivates people to care for those who are dependent and vulnerable. The moral duty in care ethics is responding to the needs of others, especially those who are vulnerable; detachment from, and indifference to others, on the other hand, is morally questionable. Which stakeholder is in most need of MexHospitality's care? Is outsourcing in the best interest of the stakeholders cared-for by MexHospitality?

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Chapter 11

Exploring the Relationship Between Hotel Classification System and Service Quality: A Case Study of the Indian Hotel Industry



Tahir Sufi

Abstract This case study explains the concept of the hotel classification system in the backdrop of its influence on hotel service quality. In addition to understanding the concept of hotel classification, the students shall also be able to understand the issues and controversies surrounding this system in India. The hotel classification systems act as a signalling mechanism to inform guests about what to expect from the hotels at various price points. The hotel classification systems around the world claim to enhance hotel service standards and better customer satisfaction. However, such systems are prone to criticisms for focussing on hotel infrastructure and failing to ensure hotel service standards.

The industry experts and other stakeholders are sceptical about the classification process. Using this criticism as a backdrop, this case study investigates the relationship between the hotel classification system and service quality in India. The questionnaire method is used in this case study to explore hotel managers and customers perceptions of the influence of hotel classification on hotel service quality. The results of this case study indicate that the hotel classification system does have a positive influence on hotel service quality.

Keywords Hotel classification system · Hotel ratings · Service quality · Customer satisfaction

Introduction

In India, the hotel industry witnessed incredible growth over the decades, especially after independence in 1947. The process of classification of hotels in India started in 1956 when the Government of India set up a committee for classifying hotels to enhance the hotel services to keep up with the international standards. The economic reforms in India, during the 1990s, also increased competitiveness among

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hotels because of which several world-renowned hotel chains were established. Hotel brands Taj, Oberoi, Leela and several other Indian hotels have won global recognition from the leading travel magazine, “Conde Nast” and other reputed agencies for outstanding performance in achieving the highest score in guest satisfaction. Such hotels are pioneers in understanding and fulfilling guest needs, and due to this, these brands have not only become market leaders in India but also able to position themselves alongside reputed international brands.

However, not all five-star hotels in India can claim to be in the category of prestigious hotels like Taj, Oberoi and Leela. There are a large number of five-star hotels that struggle to ensure customer satisfaction. Selling these underperforming five-star properties as four-star properties to overcome customer dissatisfaction has been reported. This practice raises doubts on the star rating allocated to the hotels, and the process through which such rating is generated is also questionable. The hotel classification systems are criticized for focusing on hotel infrastructure facilities mostly, ignore service quality and lacking the ability to represent the traveller experience (Briggs et al., 2007; Quo, 2014). The same view is shared by (Baccarani et al., 2010) suggesting that the focus on quantitative structural factors like rooms size and bed size and ignoring the hotel service quality makes the system ineffective and impacts customer satisfaction. The claim of the classification system that it enhances hotel services demands investigation through a structured research study. The purpose of this case study, therefore, is to study the relationship between the hotel classification system and service quality in the context of the Indian hotel industry.

Hotel Service Quality

The hotel service quality is the result of the expectation of management, its employees, and the customers it serves (Reid & Bojanic, 2017). Hotel chains enhance their service standards by methods such as online feedback and benchmarking, as illustrated in Fig. 11.1. Leading hotels use some or all such methods to improve service quality or even go beyond these. In comparison, average brands use only a few of these techniques. Hotel service quality is the result of the expected hotel standards and their “constant maintenance”, successful hotel brands, therefore, invest a lot to enhance their service standards. Such hotels continuously evaluate the services they offer. In comparison, hotels that do not invest in improving service quality end up doing “firefighting” to stay in business. It is essential, therefore, that hotels have such a proactive strategy for guest satisfaction as it is the critical factor for the success of the hotel business.

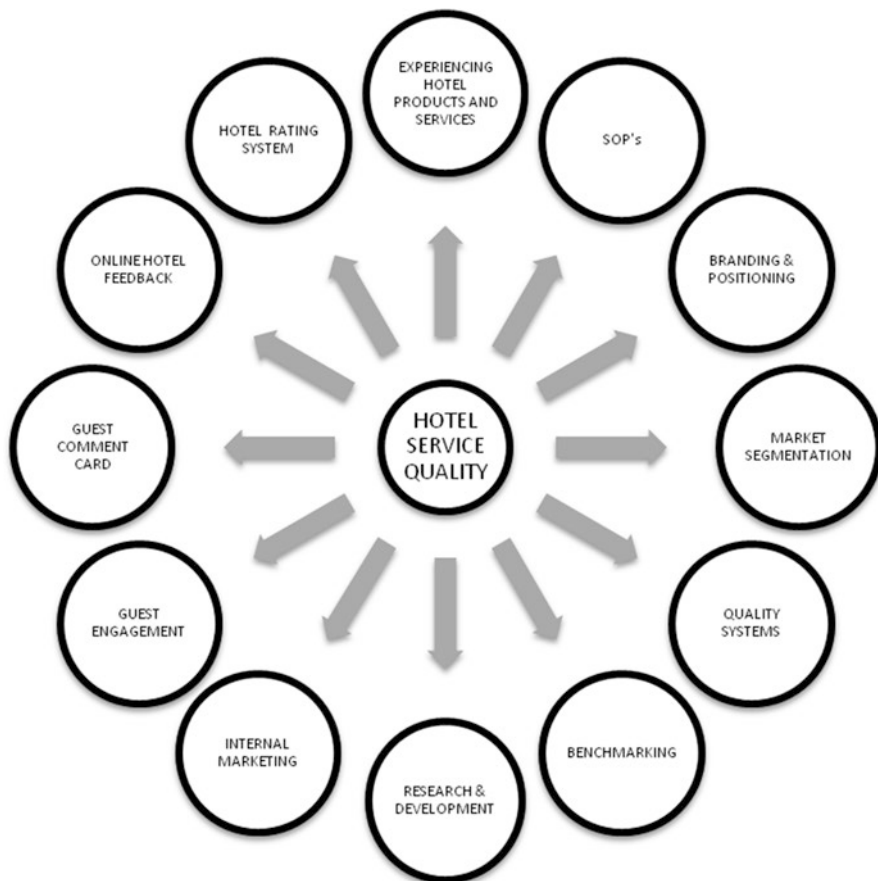


Fig. 11.1 Techniques for improving the hotel service quality. (Sufi, 2019)

What Is the Hotel Classification System?

Figure 11.1 states the different techniques hotels use to enhance the service quality, including the hotel classification system, which hotels also use as a tool for communicating the level of service. The need for quality accommodation at a reasonable price is the essential requirement for most travellers. However, considering the various options available, hotel classification is required to create a hierarchy of hotels and to inform the travellers what to expect from hotels of different categories. The hotel classification system is defined as a system of creating a hierarchy of hotels, based on the quality of infrastructure and levels of services & facilities offered. It involves the classification of the accommodation establishments, using symbols, in which the hotel is conventionally broken down into various categories according to their common physical and service characteristics' (Narangajavana & Hu, 2008). Another definition of hotel classification is the ranking of hotels, usually by using

nomenclature such as stars or diamonds, with one star denoting necessary facilities and standards of comfort and five stars indicating luxury in facilities and services (United Nations World Tourism Organisation (UNWTO), 2014).

Benefits of the Classification Process

Hotel classification offers several benefits to hoteliers and customers. These benefits include:

- *Marketing and positioning:* Hotel classification systems help in ensuring the quality of services and facilities offered by hotels in different price segments. The classification allows hotels in marketing and positioning of such hotels in their respective market segments.
- *Enabling international comparison:* Hotels of identical star ratings are benchmarked with the hotels globally in terms of room rates and additional services and facilities. Star ratings, therefore, provide a platform for benchmarking of hotels for room rate comparison.
- *Guarantee of service:* The hotel classification system helps protect consumers' interests because hotels are bound to upgrade the facilities and services to keep the promise of service delivery they make by announcing their star ratings.
- *Recommending Hotels:* The hotel classification system acts as a reference point for travel agencies and airlines in recommending hotels to its passengers and customers. The star ratings influence the travellers to buy the package from the travel agents.
- *Increased awareness:* The hotel's star ratings convey information about hotel standards for services and facilities through the use of stars or diamonds. The number of such stars and diamonds provide quick access to such hotel information. The star ratings, therefore, promote the awareness about hotels that travellers can use for booking related decisions. The knowledge increases travellers' confidence in booking hotel rooms, especially those with high prices. Therefore, the star ratings help hotels justify their room rates.
- *As a marketing and promotional tool:* The classification process provides a marketing and promotional tool by allowing hotels to display stars along with hotel name.

However, despite several benefits, hotel classification systems have come under criticism. The main reasons of criticism include a focus on hotel infrastructure rather than the hotel service quality, differences in the classification systems from one country to another that can confuse customers, and the inability of the system to understand the guest needs which results in guest dissatisfaction (Briggs et al., 2007; Minazzi, 2010). However, the lack of flexibility of the organizations managing the classification systems to upgrade the process has become the biggest weakness of the system. Most importantly, the hotel classification system is still rooted

in the pre-internet era, and the rise of online hotel ratings has the potential to make these ratings redundant.

The advent of the internet has led to the rise of OTAs (online travel agents). The guests who stay in hotels review the hotel services and facilities on the OTA websites. Such reviews have emerged as a vital source of information for travellers for booking related decisions. Compared to traditional classification star ratings, social media websites and online travel agents (OTAs) like TripAdvisor provide comprehensive information to travellers about hotel features, activities, room rates, to better satisfy travellers' needs and wants. These websites provide current property photos, real-time videos and customer reviews to engage and inform potential guests, who use social media during their decision-making process. Due to the in-depth information provided by online travel agents, online hotel ratings have become more popular.

Hotel Classification Process in India

The hotel classification system of India evaluates hotels under the broad categories that include general facilities, services, guest rooms, bathrooms, public areas, reception, equipment, human resources, safety and security. The inspectors evaluate hotels and allocate the score to these different hotel areas. Table 11.1 lists the star ratings awarded to the hotels in India according to the inspection score of classification criteria. The classification systems differ in duration for which the ratings are allocated to hotels. Table 11.2 lists the number of years for which these ratings are valid in different countries.

The stakeholders of the Indian hotel industry have doubts about whether all the hotels that have been given five-star ratings deserve such ratings. The apex body of Indian hotel industry, the Federation of Hotel and Restaurant Association of India, a private association, wants to take over the classification process from Government as it feels the association can do a better job in evaluating hotels in comparison to Government. Hoteliers also feel that the classification process has too low expectations from hotels in comparison to their brand standards that they already offer (Nath, 2017).

Table 11.1 Evaluation criteria for Hotel star ratings in India (Hotels & Restaurants, 2020)

Hotel category	Evaluation score
Five star deluxe	90
Five-star	80
Four-star	75
Three-star	65
Two-star	55
One-star	50

Table 11.2 Number of years for which the star ratings are awarded (Sufi, 2019)

Country	Number of years
India	5
USA	3
European Union	3

Historical Background of the Hotel Rating System

The hotel rating system started in 1912 in the United Kingdom by Motorists' Mutual Association',

(MMA), which is now called as Automobile Association (AA). The secretary of Association, Stenson Cooke had once worked as a wine and spirit salesperson and felt that the three-star rating of brandy would be a familiar yardstick to apply to hotels. His idea of the star rating of hotels led to the creation of a three-star hotel classification system, where a three-star hotel meant a decent middle-class hotel (Automobile Association, 2020). From 1912, AA started inspecting hotels in the UK and expected no favour is in return. Subsequently, in 1937, the American Automobile Association (AAA) began field inspections of lodgings and restaurants and published valuable information about services and facilities for the benefit of travellers (Automobile Association, 2020). The travellers were facing difficulties in finding suitable food and accommodation while driving, which triggered the need for information about hotels. Subsequently, France introduced the "*Logis de France*" system of classifying hotels in 1948. They introduced the "cosy fireplace" logo for hotel classification, which is still in use (Carr, 2018). Similarly, other European countries also introduced their version of hotel classification using "stars" for the purpose.

Types of Hotel Rating Systems

Official Hotel Rating System

Government agencies initiate formal rating systems. China and India have an official hotel classification system operated by a Government agency overlooking the Tourism and Hospitality sector. Such agencies have regulatory power and make amendments in the policies related to the hotel rating process. The official hotel rating system can be "*mandatory*" or "*voluntary*". While as under "*mandatory*" system, hotels must get classified to do business, under "*voluntary*" system hotels have a choice to decide if they want to apply for the star rating process. In India, where the star rating process is voluntary, the Government is making the hotel rating process attractive by offering incentives to hotels. The process serves as a reference for grant of subsidies, tax breaks, or implementation of policies for hotels. The one, two, three and four-star hotels are granted tax benefits and allowances for serving budget category clients (Approval, 2017).

Unofficial Hotel Rating System

While as “official” hotel rating system is managed by the Government agencies, the “unofficial” hotel rating system is controlled by private agencies like travel agencies, tour operators etc. Countries with “unofficial” hotel classification systems justify such a system based on principles of freedom of the market and objection to any external intervention and control. Denmark, Finland, Iceland, Norway, Switzerland, and Sweden have an “unofficial” hotel classification system.

The Scenario of Classified Hotels in India

The hotels in India are categorized as 5-Star Deluxe, 5-Star, 4-Star, 3-Star, 2-Star and 1-Star. Apart from star categorization of hotels, there is yet another category of hotels called “Heritage Hotels” which are palaces of the royal families that are converted into the hotels. The heritage hotels offer a unique experience of the historical times and provide experiences of the royal lifestyle to the guests. These heritage hotels are classified as “heritage grand”, “heritage classic” and “heritage basic”.

However, apart from the classified hotels, there are thousands of unregistered hotels in India. The exact number of such hotels is not available. The number of star-rated (classified) hotels, according to Government statistics, is one thousand six hundred and fifty-eight hotels (less than even one per cent). Despite so many benefits offered by the Government, the small number of classified hotels is a matter of concern. Table 11.3 lists the total number of hotels under different categories that are classified under “star” and “heritage” categories.

The reason why such a large number of hotels decide to stay unclassified or continue in “illegal” mode is a matter of concern. The unclassified hotels perform better in business in comparison to the classified hotels. Despite the massive investment in infrastructure, facilities and services, classified hotels lag far behind in business in contrast to unclassified hotels (Radhakrishnan, 2017). Further, there are at least fifty different types of license required for a classified hotel. It costs (53,000 USD) for five-star hotels to obtain a license to sell foreign liquor. Hiring a qualified workforce is yet another barrier for unclassified hotels. The classification process expects five-star hotels to hire 60% of the supervisory staff with hospitality degrees, four and three-star hotels (30%), and two and one-star hotels (20%).

The classified hotels are supposed to follow stringent environmental regulations in comparison to unclassified hotels. The classification guidelines make it clear that classified hotels have to invest in effluent treatment plants and sewage treatment plants biological treatment of wastewater. The star rating process involves taking approvals from several authorities apart from maintaining the extensive documentation like details of the hotel project, details of the feasibility report, architectural blueprints and details of layout, safety plans, local approvals (municipality, police, pollution, airport, forests) and information on the capital structure. The

Table 11.3 Total number of hotels under different categories (National Database, 2020)

Hotel category		Number	
Category	Heritage category	Hotels	Rooms
Heritage	Heritage basic	52	1376
Heritage	Heritage classic with alcohol	5	225
Heritage	Heritage classic without alcohol	1	15
Heritage	Heritage grand	6	303
Total	Heritage category	64	1919
Star category	1 star	7	209
Star category	2 star	23	688
Star category	3 star	527	17,518
Star category	4 star with alcohol	298	14,749
Star category	4 star without alcohol	121	4903
Star category	5 star deluxe	178	40,080
Star category	5 star with alcohol	165	21,336
Star category	5 star without alcohol	40	3942
Total star category		1359	103,425
Grand Total		1678	106,576

classification conditions make it mandatory for hotels to inform the Government about any changes hotels make in infrastructure, including any changes in the management structure.

Apart from unclassified hotels, there are thousands of unapproved hotels operating illegally in India. The exact number of such unapproved (illegal) hotels is unknown. In one area of New Delhi “Mahipalpur” near New Delhi Airport, there are one hundred seventy-eight unapproved hotels. The apparent reasons for such a large number of unapproved hotels signal avoiding the approval requirements of the regulatory authorities. A large number of such hotels in one area has resulted in the crashing of hotel room rates from 45 USD TO 130 USD in the New Delhi Airport area (Bagga, 2017). There are 240,000 rooms available in India at present, and there is a further requirement of 1.4 million hotel beds. To meet the objective, the Government is giving several incentives for the opening of new hotels; however, at the same time, many unapproved hotels are being shut down. In the backdrop of the discussion on the hotel classification system, this case study proposes to test the following hypothesis.

Hypothesis 1: There is no perceived influence of hotel classification on service quality as perceived by managers and customers.

Hypothesis 2: There is no difference in the perceptions about the hotel classification system between the managers of classified and non-classified hotels.

Methodology

The Instrument Used

Considering the issues related to the classification process in India, this case study explores the perceptions of the managers of classified hotels who have experience in managing the hotel star rating process. For this purpose, a questionnaire was used to gather data related to the twenty-four critical areas of the hotel classification system (presented in Fig. 11.2). Using a Likert scale, managers and hotel customers were asked to rate these areas on a scale of one to five in terms of their influence on hotel service quality.

Sampling

Considering the large size of the country, the study was conducted on the hotels in North India. The multi-stage stratified sampling technique was used to get the questionnaire filled to ensure the representation of hotels from not only the different states of the north Indian region but also to the different categories of star-rated hotels categories as well. The hotels of different star category (two stars, three, four, five stars, five stars deluxe) from entire North India are given the representation in the study. One-star hotels are not included in the sample because no such hotel category was found to be in North India. The hotel data was downloaded from the website of the Ministry of Tourism.

The case study used the proportionate formulae method for calculation of the sample size of the hotels of different star categories to give the proper representation to the all-star category of hotels.

Source of the Data

The hotel data (Table 11.4) was collected from the website of the Ministry of Tourism (“National Database for Accommodation Units”, 2020) which has the database of the hotels of all star ratings. The database can be downloaded free of cost. However, the database does not provide the contact details of the hotels. The contact details of those hotels were collected from the hotel directory published by the Federation of Hotel and Restaurant Association of India and the websites of the respective hotels.

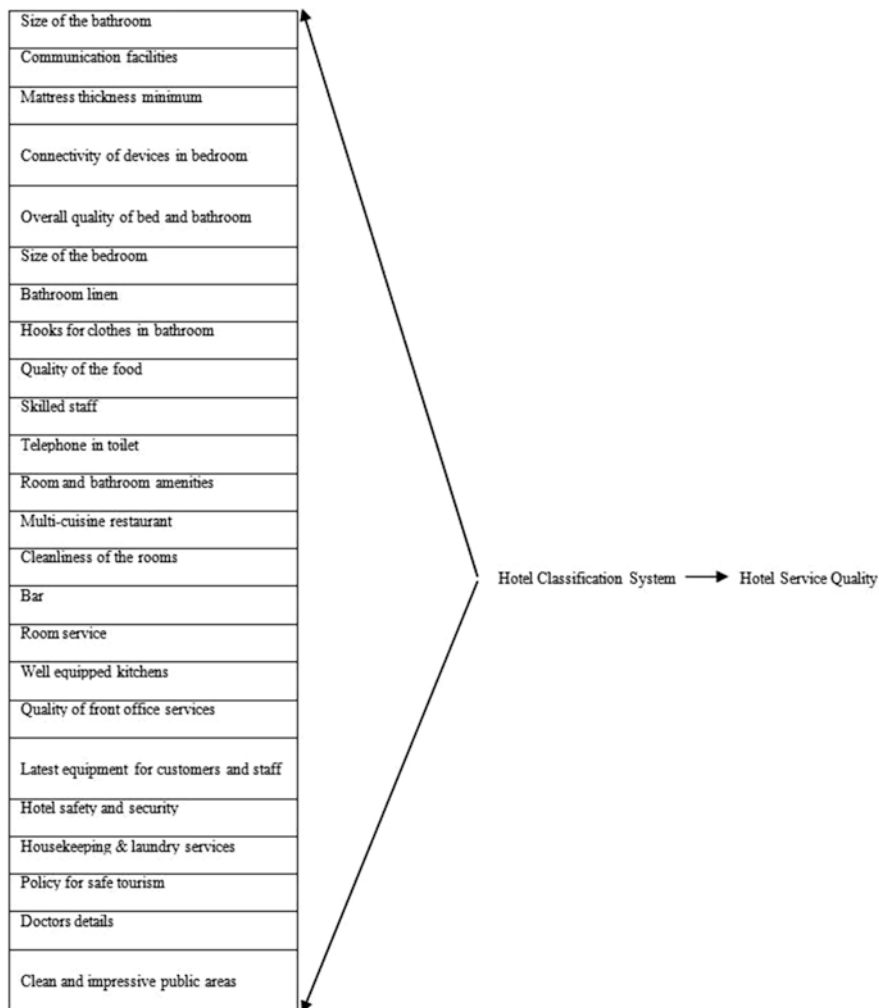


Fig. 11.2 Framework for exploring the relationship between hotel classification system and service quality

Data Collection

This case study used questionnaire method to gather data from hotels of the different star category. Two hundred fifty questionnaires were sent across to seventy-five hotels (Five Star deluxe, Five Star, Four Star, Three and Two Star) hotels through google docs link to the hotel managers. One hundred and sixty-nine filled questionnaires were received. Twenty-three questionnaires were rejected on account of incomplete information; therefore, one hundred forty-six filled in questionnaires were used for analysis.

Table 11.4 Category wise listing of hotels under different star category (National Database, 2020)

Star category	Number of hotels in North India	Number of questionnaires received
1	0	0
2	3	5
3	20	28
4	11	20
5	13	21
5 star deluxe	28	46
*Unclassified	NA	44
Total number of questionnaires received from hotels (classified + unclassified)	75	164
Customers		87
Total number of questionnaires received from hotels and customers.		251

The data from unclassified hotels was also gathered through the google docs. Since there is no listing of unclassified hotels, forty unclassified hotels were identified through google search, and one hundred questionnaires were sent across to the managers out of which forty-four questionnaires were received. Convenience sampling method was used to get the questionnaires filled in from customers. Since this case study also involved studying the perceptions of customers about the hotel classification system, one hundred fifty questionnaires were circulated among the customers in the hotels located in North India out of which eighty-seven filled in questionnaires were received.

Data Analysis

Table 11.5 presents the mean scores, standard deviation, mean difference and t-test of the perceived influence of the hotel classification system. Sixteen mean differences are significant at a significance level of 0.05, and four mean differences are significant at the level of 0.10. By these results, hypothesis 1 was rejected, indicating there was a significant difference between managers and customers perceptions about the different areas of the hotel classification system. Table 11.3 suggests that customers rate the other areas of the hotel classification system more favourably than the managers do.

Table 11.5 The differences between perceptions about the different areas of hotel classification system between customers and hotel managers

	Customer ratings (n = 87)		Classified hotel managers ratings (n = 120)		Mean difference	t	Sig
	Mean	SD	Mean	SD			
Size of bedroom	4.82	0.496	4.21	0.751	0.616	1.77	0.514
Size of the bed	4.54	0.719	3.77	0.874	0.776	0.494	0.03*
Thickness of mattress	4.62	0.760	4.65	0.713	-0.03	1.322	0.040*
Connectivity of devices	3.58	0.637	3.99	0.868	-0.41	1.237	0.045*
Guest room and bathroom amenities	4.22	0.947	4.6	0.698	-0.38	1.030	0.020*
Size of bathroom	4.76	0.708	4.19	0.701	0.577	0.189	0.064**
Bath linen	4.41	0.667	3.9	1.014	0.513	1.76	0.001*
Hooks for clothes	3.83	1.058	3.76	1.002	0.073	2.458	0.087**
Recommended percentage of supervisory staff	3.93	1.001	3.81	0.926	0.123	1.301	0.175
Telephone in the toilet	3.08	0.930	3.71	1.018	-0.63	2.633	0.058*
Multi-cuisine restaurant	4.72	0.810	4.02	0.808	0.706	0.544	0.009*
Cleanliness of the rooms	4.42	0.658	3.9	0.658	0.526	3.224	0.008
Bar	3.83	1.058	3.28	0.487	0.553	2.458	0.708
Dry cleaning/laundry	3.93	1.001	3.27	0.472	0.663	1.201	0.045*
Iron and board facility	4.08	0.952	3.29	0.850	0.79	2.462	0.005**
Doctor details	4.79	0.698	3.97	0.251	0.823	0.593	0.041*
Stamp and mailing acility	2.42	0.658	3.74	0.544	-1.313	3.224	0.012*
Policy for safe tourism	3.83	1.058	3.66	0.613	0.173	2.085	1.031
Availability of skilled staff	3.93	1.001	4.13	0.782	-0.206	3.301	0.05*

*Significant at 0.05, **Significant 0.10

Comparison of Perceptions About the Hotel Classification System Between Unclassified and Classified Hotel Managers

The independent sample t-test was applied to test the mean differences of perceptions between the managers of classified and unclassified hotels. Table 11.6 shows the mean score and standard deviations of the classified and unclassified hotels.

The results clearly show that the unclassified hotel managers have better expectations from the hotel classification system as compared with the managers of the listed hotels. The results reject the null hypothesis 2 that there is no difference in the perceptions about the hotel classification system between the managers of classified and unclassified hotels.

Table 11.6 Comparison of perceptions of managers of classified and unclassified hotels

	Mean	Std. deviation	Variance	Mean	Std. deviation	Variance	Mean difference	t	Sig (2tailed)
Managers perceptions about the hotel classification system	3.960 0	0.57	0.325	3.7867	0.57	0.325	0.1733	1.214	*0.02 1
All the classified hotels classified deserve the allocated ratings they have been allocated.	5.000 0	0	0	3.5133	0	0	1.4867	0.864	*0.02 1
The process of hotel classification should be carried out by private hotel associations like FHRAL, HAI, etc. instead of the Ministry of Tourism.	4.460 0	0.93044	0.866	3.54	0.93044	0.866	0.92	1.24	0.231
The inspectors evaluating the hotels for hotel classification system have satisfactory knowledge about hotel operations	5.000 0	0	0	3.9933	0	0	1.0067	2.012	*0.14 1
The star rating allocated to the hotel is a matter of pride	3.960 0	0.57	0.325	4.0867	0.57	0.325	-0.1267	1.035	*0.00 6
The hotel classification process can increase hotel revenue	4.340 0	0.62629	0.392	3.1533	0.62629	0.392	1.1867	1.365	0.432
The hotel classification process is up to the level of satisfaction of the hotel industry	4.460 0	0.93044	0.866	4.16	0.93044	0.866	0.3	0.231	*0.00 2
The hotel classification system can improve hotel image on an international level	5.000 0	0	0	3.9133	0	0	1.0867	0.0213	**0.071
The hotel classification system contributes to employee behaviour improvement.	3.960 0	0.37	0.232	3.96	0.57	0.325	0	1.245	0.231
The hotel classification system improves the overall service quality of hotels	4.340 0	0.62629	0.392	3.84	0.62629	0.392	0.5	0.001	0.113
The hotel classification system enhances customer satisfaction	5.000 0	0	0	4.6933	0	0	0.3067	0.003	*0.02
The hotel classification system allows guests to have accurate service expectations	4.700 0	0.50508	0.255	4.7733	0.50508	0.255	-0.0733	2.12	*0.00 9
The hotel classification system increases employee commitment to service quality	3.960 0	0.57	0.325	4.7267	0.57	0.325	-0.7667	1.314	0.212

*p < 0.05, **p < 0.10

Conclusion

The case study has explored the perceptions about the hotel classification system among the managers of classified, unclassified hotels and the customers. The study found that hotel classification does have a positive influence on service quality. Further, the study found that customers rate the dimensions of the hotel classification more favourably as compared to the managers indicating a higher degree of optimism about the classification system among customers.

The managers of unclassified hotels were found to have a favourable opinion about hotel classification in comparison to the managers of classified hotels. The findings of this case study, therefore, are indicative of the fact that all the services and facilities listed under hotel classification are crucial for customer satisfaction. The positive opinion about hotel classification among the managers of unclassified hotels is an indication that star-rated hotels are held high in esteem by unclassified hotels.

The classified hotels are distinguished and respected in the market even though the trust level on the hotel ratings is questionable. So far as the general perceptions about the classification are considered, it looks like a more of an image problem of the system. Such perceptions can be the result of the low service quality in higher star rate hotels, especially five-star hotels. It is recommended, therefore, that the classification process is made more stringent by upgrading the systems to focus more on hotel service quality in comparison to hotel infrastructure and other administrative procedures. The regulatory authorities seem to be overburdened by administrative details that leaves them with less time to focus on service quality. The unclassified hotels might also be motivated to get classified by flexible and balanced regulatory process.

This case study has attempted to challenge the assumptions about the hotel classification system through a systematic procedure. However, there are still lots of unanswered issues surrounding the system that needs attention. Most of the hotel classification manuals are big and bulky and focus on so many areas of evaluation. Are all those areas critical? The areas that are most and least important from a service quality perspective need to be identified. All the hotel classification systems of the world give different importance to different hotel areas for evaluation. However, no research studies have been conducted to justify the relative importance of such areas (rooms, amenities, facilities and services). Another issue that needs the attention of researchers is the degree of hotel standards expected by the hotel classification system. Where do the classification standards stand in comparison to what hotel brand already offers? Finally, has a hotel classification system stopped evolving after the arrival of the internet? It shall be interesting to see what impact the internet has over the hotel classification system in the backdrop of the fact that more number of guests refer to the online ratings.

A. Teaching Note

Case Summary

This case study aims at exploring the hotel manager's perceptions about the hotel classification system in the backdrop of criticism about the system. While the classification system of India emphasizes on providing contemporary standards of facilities and services available in the hotels-however, industry experts have doubts about the system. The hotel industry experts in India believe that standards prescribed by the hotel classification system are too low in comparison to what the hotel brands offer. The lack of research studies in this area further complicates the matter. There are less than one per cent classified hotels in India- that confirms such doubts and apprehensions about the system. This case study, therefore, attempts to explore all these questions through quantitative techniques.

Teaching and Learning Objectives

Hotel rating systems are neglected in the academic curriculum around the world despite their importance in booking related decision by the customers. The hospitality schools worldwide have ignored the rating process due to which the graduates lack the understanding of the concept when they enter the hotel Industry. This case study aims at the following objectives:

1. ***Understand what the hotel classification system is.***
2. ***Understand the issues and challenges of the hotel classification system.***
3. ***Explore the significance of the system.***

Target Audience

This case study explains the hotel rating system concept in a simple manner that can be understood by graduate-level students easily. However, at the same time, this study offers valuable insight into the system for academicians, managers, and policymakers equally. Hotel rating policy documents can be too abstract and difficult to grasp. This case study offers the theoretical concepts rooted in service quality management to explore the system.

Teaching Approach and Strategy

It is recommended that the students are introduced to the following concepts before the actual discussion on this case study:

- (i) A brief history of the evolution of the hotel classification process.
- (ii) Types of the classification processes.
- (iii) Advantages and disadvantages of the system.

These concepts can be introduced through the use of a PowerPoint presentation by the instructor. After introducing the concept of the hotel classification, the instructor can distribute the copies of this case study to the students and allow one and half hour study time. The students can be segregated in the groups of 4–6 students and asked to answer the discuss the following points:

1. Is the criticism of the hotel rating system justified?
2. How can the hotel rating systems be upgraded to meet customer expectations?
3. What is the impact of the internet on the traditional hotel classification ratings?
4. Should the classification system be made digital now?
5. How can hotels be evaluated to ensure that only hotels with top service quality are awarded higher ratings?
6. What are the various techniques by which hotel service quality is evaluated?
7. Which techniques are effective for evaluating hotel service quality in your opinion? Why do you think so?

Analysis of Data

1. What insight does Tables 11.5 and 11.6 provide? Why do you think customers rate the areas of hotel classification higher as compared to the managers?
2. Is this the right approach to evaluate the classification system?
3. What could better methods have been applied?
4. Can you identify different research areas after reading this case?
5. Is the use of the research techniques justified?

Example Responses

Answer 1. Table 11.5 has indicated that the customers rate the areas of hotel classification more favourable as compared to managers. Table 11.6 show that managers of unclassified hotels (without star ratings) have a more favourable opinion of the classification system as compared to the managers of unclassified hotels.

The managers of the classified hotels seem to have doubts and apprehension about star ratings. The managers are expected to follow the hotel brand standards

and SOS's daily, which they believe are more stringent and effective in ensuring service standards. In comparison, guests high expectations from all the areas of hotel classification offers an exciting insight in contrast to a review of the literature review. There is a clear indication that there is an image problem with the system-which perhaps is due to a lack of innovation in hotel evaluation.

Suggested Group Activity

1. Compare the booking procedure of hotels through any hotel website and OTA's (MakeMyTrip, [Hotels.com](https://www.hotels.com) etc.). Students are suggested to note the differences in making hotel booking through different sources and present a report on the same.
2. Note ten positive reviews of a five-star deluxe hotel and ten negative reviews. Prepare a report on what the guest like most about hotels and what guests dislike about hotels.
3. Download any leading hotel classification document from the internet. List ten strengths and ten weakness in terms of its contribution to enhancing hotel service quality.

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Suggested Readings

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Part IV Technologies

Technology is an integral part of tourism businesses, and destinations and the four cases in **Part IV** encompass both strategic and operational aspects.

In **Chapter 12** Luis-Alberto Casado-Aranda, Juan Sánchez-Fernández and Ana-Belén Bastidas-Manzano analyse smart tourism destinations through the case of a smart city project in Granada, Spain. The chapter considers technologies and the evaluates implementation from the perspectives of both businesses and visitors.

The City of Joondalup north of Perth in Western Australia is the focus of **Chapter 13**. Oscar Vorobjovas-Pinta and Violetta Wilk use social exchange theory to analyse the social media marketing of a suburban tourism destination.

Moving to hospitality businesses, in **Chapter 14**, Leo Yuk Lun Kwong, Sue Foster and Victoria Peel investigate the mandatory usage of Hotel Information Systems in an Australian resort. The case considers how employees perform a range of usage patterns to overcome workflow blocks and possible approaches for managers to optimise usage behaviour.

Chapter 15, also by Luis-Alberto Casado-Aranda, Juan Sánchez-Fernández and Ana-Belén Bastidas-Manzano, investigates e-commerce and marketing. The case study of a fictional hotel chain asks students to evaluate proposals from two marketing agencies which take different approaches to analyse the effectiveness of a digital booking system and an online marketing campaign.

Chapter 12

How to Design a Smart Tourism Destination: The Case of Granada



Luis-Alberto Casado-Aranda, Juan Sánchez-Fernández,
and Ana-Belén Bastidas-Manzano

Abstract Despite the ever-increasing growth of tourism in Granada (Spain), its city council plans to boost this growth even more in 2021 by making improvements to the tourist experience. The city council entrusted a team led by Rocio Sainz to develop a smart city project called “e-Granada” aiming to enhance the tourist experience by implementing a series of solutions along the lines of technology, sustainability and accessibility. Although her team comprises experts from a wide variety of fields, it does not fully grasp the most useful technological platforms and services or the potential advantages and disadvantages of Smart Tourism Destinations (STDs) for businesses and consumers. This is due to the lack of knowledge of these types of projects in Spain as well as the characteristics of STDs. Based on secondary sources and on an empirical analysis carried out in Spain, the current case study offers students of political science, hospitality, business and tourism professionals the possibility (i) to acquire advanced knowledge on the definition and characteristics of STDs, (ii) achieve a deeper understanding of the most useful technological platforms and services to convert a city into a smarter tourism destination, and (iii) evaluate the potential pros and cons for businesses and consumers of a city evolving into an STD.

Keywords Smart tourism destination (STD) · Smart city · Sustainability · Innovation · Technology · Government

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Introduction

Granada is a city in southern Spain with almost 250,000 inhabitants. Some of its must-visit sites are the Palace of the Alhambra, the Generalife Gardens, the San Nicolás lookout, the Albaicín (old Moorish quarter), and the Cathedral with its Royal Chapel where the Catholic Monarchs are buried. These sites attracted more than three million visitors in 2018, an increase of 6.1% compared to 2017. This translated into 6,265,559 overnight stays representing a growth of 5.8% (El Independiente, 2018). Most of the tourists are from France, the United Kingdom, Germany, the United States, Italy and Japan (Granadatur, 2018). Despite these positive figures, Granada's city council desires to attract even more tourists in 2021 and for this reason plans to launch a series of measures, notably a project to convert Granada into a smarter city. In other words, it aims to make Granada more accessible, sustainable, technological and communicative.

This case study aims to delve deeper into the origin, application and initiatives of Smart Tourism Destinations (henceforth STD) in order to help students grasp the definition of a smart city and help the city council of Granada identify the most useful technological platforms and services required to become one. It likewise serves to evaluate the potential pros and cons of becoming an STD for businesses and consumers.

Background: e-GRANADA, a Smart Tourism Destination Program

The team led by Sainz was charged in January 2020 with implementing an STD program in Granada called "e-Granada" to offer technological, sustainable and accessibility solutions to tourists and businesses. The team includes experts in marketing, technology, tourism, geography and ecommerce. Despite their high level of expertise, they do not have a clear understanding of the characteristics of STDs, the most useful technological platforms and services, or the potential advantages and disadvantages of STDs for businesses and consumers.

The e-Granada team sought out information, programs and initiatives from other Spanish cities already considered STDs. Specifically, the team consulted The White Paper on Smart Tourist Destinations in Spain (Segittur, 2019). This is an official platform that offers an in-depth explanation of (i) the definition of STDs and their main characteristics, (ii) which smart applications and services are put in place in Spain's STDs, and (iii) the perception of STDs by companies and potential tourists.

Based on data gleaned from this report, students should clarify the main initiatives of STDs applicable to the e-Granada project, as well as identify possible reactions of tourists and companies to smart environments. The following sections, besides advancing elements serving for this case study, aim for the student to (i) acquire advanced knowledge as to the definition and characteristics of STDs, (ii)

gain a deeper grasp of the most useful technological platforms and services required by a city to become an STD and (iii) evaluate the potential pros and cons of creating a smarter city for businesses and consumers.

Theoretical Background: Smart Cities and Smart Tourism Destinations (STDs)

The World Tourism Organization recorded 1400 million worldwide tourists for 2018 (UNWTO, 2019). The tourism sector accounts for 10% of the global gross domestic product and 7% of world exports. Moreover, one in ten jobs worldwide is linked to tourism which directly or indirectly generates even more employment (UNWTO, 2019).

The exponential increase in tourism has nonetheless generated serious problems: (i) climate change due to the substantial increase of urban waste (Amelung & Viner, 2006), (ii) massification of urban and natural destinations (Capocchi et al., 2019), (iii) seasonality leading to precarious employment and a concentration of economic activity limited to a few months of the year (Pou, 2012), (iv) inflation due to an increase in demand over that of supply (González & Ruiz, 2006), and (v) a surge in noise and pollution due to increased vehicle use (Castro, 2003).

Smart Cities

Governmental and academic institutions have in recent years attempted to design sustainable, technological and efficient cities to counter many of these issues (Gretzel et al., 2015), actions that have giving rise to the notion of smart cities. According to Manville et al. (2014), a smart city has to adhere to the following requirements: (i) invest heavily in human and social capital, (ii) incorporate both traditional and modern communication infrastructures, (iii) apply sustainable energy sources, (iv) bolster economic growth and a high quality of life, (v) develop a smart management of natural resources, and (vi) implement a participatory type of governance.

The main benefits of creating smart cities are the following:

- Medium- and long-term savings. An efficient use of resources reduces costs (energy, administrative, etc.).
- Better services. Improvement of quality and a more efficient governance are fundamental to all facets of smart cities to enhance services.
- Better quality of life. Upgrading public, welfare, and environmental services leads to greater satisfaction among residents.
- Opportunity for industrial development. Establishing new technology-based and environmentally sustainable companies pave the way to create new industries.

Smart Tourism Destinations (STDs)

Large cities are themselves tourist centers that constantly attract visitors and therefore must adapt to the needs of tourism. Tourists are considered temporary residents, that is, citizens who make use of the public resources of the place they visit. They are external agents characterized by intense consumption. The role of tourists in the development of smart cities has given rise to the so-called Smart Tourist Destinations (Gretzel et al., 2015). According to García and Jiménez (2014), STDs are innovative spaces founded on state-of-the-art technological infrastructures that take advantage of the surge of Information and Communication Technologies (ICTs) to offer efficient services. Their objective is to guarantee a sustainable development of a territory rendering it accessible to all, and facilitate interaction and integration of the visitor with the environment.

Giffinger et al. (2007) and Kaur and Kaur (2016) conclude that actions to develop STDs must be carried out based on the following six pillars:

- **Mobility** concerns the development of a safe, accessible, sustainable and efficient transport infrastructure as traffic congestion, besides provoking accidents and deaths, leads to acoustic and environmental pollution.
- **E-Government** represents the relationship of the municipal government with its citizens based on transparency and participatory decision-making. STDs require management of online procedures that facilitate bureaucratic procedures, time, travel and cost savings (e-administration, e-participation, open government and open data, analytical applications). As a result, Giffinger et al. (2007) and Kaur and Kaur (2016) propose improvements to managing public buildings, public infrastructure and urban equipment.
- **Economy for smart destinations.** It is crucial to develop new models of funding based on public-private contributions (open data, space for entrepreneurs, co-working, etc.). This encourages the development of an innovation-based economy capable of attracting emerging companies applying low carbon emissions. Hence, smart cities offer steps to (i) encourage innovation and entrepreneurship to both residents and future visitors by creating, for example, business incubators and collaborative work spaces, (ii) link the brand of the city with innovation, creativity and knowledge and, (iii) support tourism as a sector that generates urban economic development.
- **Society.** It is essential that the authorities of cities and smart destinations bear in mind the concepts of education, human capital and culture put in place by e-learning and teleworking, tourism and cultural information services, levels of qualification and citizen participation. It is likewise of utmost value to offer open Wi-Fi networks in city halls and public buildings. Finally, universal accessibility, essential to smart cities and destinations, can be attained by eliminating architectural barriers, improving lighting and access to the web for the visual and/or auditory disabled.
- **Lifestyle.** Smart cities and destinations reflect a technological and efficient commitment to public safety. This includes management of emergency public

services and civil protection, video surveillance and citizen security, as well as fire protection and detection. Also of essence is an efficient health management involving the participation of municipalities to offer primary health care through telemonitoring and telemedicine, telecare and social services, and public health. Thus emerges the concept of “smart living” which refers to a safe life devoid of instability and risk to physical integrity in the same territory and access to housing.

- **Energy efficiency** and the environment are focal points of smart destinations. They encompass a rational distribution of energy, collection and treatment of urban waste, management of parks and public gardens and real-time monitoring of environmental parameters so as to guarantee energy without service cuts. The commitment to renewable energy (photovoltaic, geothermal, aeolian, biomass, etc.) is key to achieving these objectives.

STDs in Practice: The White Paper on Smart Tourist Destinations in Spain

The team charged with implementing e-Granada must carry out an in-depth study of *The White Paper on Smart Tourist Destinations in Spain* (Segittur, 2019) so as to (i) come a general understanding of the solutions and applications adopted by STDs, (ii) explore the current initiatives and programs implemented by Spain’s STDs, and (iii) identify the perceptions of STDs by tourists and companies. These are key to the development of a comprehensible and realistic e-Granada project intended to bolster tourism in 2021.

Technological Solutions for STDs

The White Paper on Smart Tourist Destinations in Spain (Segittur, 2019) offers smart technological solutions differing from those of traditional destinations (Fig. 12.1). Table 12.1 lists their differences.

The notions that can be gleaned from Table 12.1 confirm the advances of STDs: (i) pre-trip: a boom in online travel agencies, chatbots, social networks and online ticketing, (ii) in-trip: virtual traveler communities (e.g., Tripadvisor), collaborative tourism, geolocation and accessibility and sustainability in cities, and (iii) post-trip: social networks and commentary traveler platforms.



Fig. 12.1 (a) Example of augmented reality typical of a smart tourism destinations. (b) Example of the hazards of noninclusive paving typical of traditional tourism destinations. (Source: (a) Pixabay (9 February 2020) at <https://n9.cl/ztx5>; (b) Adapted from Moravia (9 February 2020) at <https://n9.cl/qwe2>)

Table 12.1 Features of traditional and smart tourist destinations

Service	Traditional destination	Smart destination
Tourism office	On site, with physical promotional material (maps, brochures, tourist guides, etc.)	Open 24 h Audiovisual material Audio guides Free WIFI at destination
Pre-trip information search	Physical travel agencies Magazines, books, brochures Recommendations from friends and family	Online travel agencies Virtual communities of travelers Chatbots virtual reality Social networks
Searching for information during the trip	Tourist office reception of accommodation	Apps Virtual tourist office (online assistants) traveller communities: tripadvisor
Post-travel	Discuss the trip with family or friends	Travel comments on in social networks and virtual communities (greater impact)
Localization	Physical maps	Geolocation GPS
Purchasing tickets	Queues at ticket offices for the main tourist resources	Buy online download mobile tickets mobile payments
Accessible tourism	Difficulty of physical access to places (lack of access or scarcity of ramps)	Adapting resources to different disabilities Inclusive tourism Universal accessibility
Administrative procedures	Excessive bureaucracy (on-site)	Online procedures
Pollution	Greenhouse gases light/sound pollution	Greenhouse gas reduction light reduction through smart sensors

Adapted from Segittur (2019)

Examples of STDs in Spain

Barcelona

The smart city initiative adopted by Barcelona was crucial to alleviate the deficiencies of its housing, environment, transport, water, energy and waste problems. ICT was crucial in achieving changes in these areas. The Barcelona Smart city project resorted to technology to allow its residents and elements (buses, metro, stoplights) to be connected leading to a more sustainable, green, competitive and innovative atmosphere.

The project “Barcelona city of people” inaugurated in 2010 resorted to new technologies to promote economic development which led Barcelona, four years later, to receive the European Capital of Innovation award. The project, based on growth and well-being of its inhabitants, was founded on the following five pillars: (i) open data, (ii) sustainable growth (promotion of electric vehicles, smart lighting), (iii) social innovation, (iv) alliances between research centers, universities, private partners and the public and, (v) smart ICT-based services.

Seven years later, the Barcelona Digital city 2017–2021 project aims to create a type of design leaning toward more openness and efficiency. The goal is to promote digitalization and innovation, opening areas that assist citizens in the use of technology to improve public services. The more outstanding actions characterizing a smart city are the following:

- LED lights that measure pollution with real-time sensors
- Monitoring of waste collection points
- Free internet points
- Information on the best places to park and free parking places
- Promotion of electric vehicles and bicycles
- Improvement of water management in parks and public places

Malaga

The city of Malaga has evolved from a “sun and beach” type of tourism to a new model based on cultural and smart tourism (e.g., Picasso, Thyssen, Pompidou museums). Among its objectives in 2018, apart from its normal sun and beach offer, is the “Malaga, smart city” project marked by the following initiatives.

- **Sustainable mobility** which prioritizes quality public transport and electric vehicles to decrease private gasoline or diesel car use.
- **Energy efficiency** uses smart green sustainable technologies by installing smart and efficient points and a smart subway (its greatest initiative).
- **Universal accessibility** for both residents and visitors to adapt the city to the mobility of anybody in any circumstance.

- **Active citizen** participation to offer applications to communicate and update incidents (such as traffic problems) through smartphones to facilitate universal accessibility.
- **Commitment to ICT** entrepreneurship through technology to promote business projects.

Malaga was selected as the European Capital of Smart Tourism for 2021 in a competition initiated by the European Parliament and implemented by the European Commission. The competition other candidates including as Nice (France), Ravenna (Italy), Ljubljana (Slovenia), Karlsruhe (Germany), Gothenburg (Sweden), Bremerhaven (Germany), Breda (Holland), Turin (Italy) and Bratislava (Slovakia). The goal of the competition is to recognize achievements in the tourism offer along the lines of accessibility, sustainability, creativity, cultural heritage and digitalization.

Santander

Santander is one of Spain's first smart cities. The "SmartSantander project" adopted in 2011 placed more than 15,000 sensors (connected by 1200 nodes) throughout the city over an area of approximately 13.4 square miles to offer real-time data on different environmental parameters (light, temperature, noise, CO₂). The sensors also serve other concerns such as availability of parking spaces in certain areas of its center. These static sensors are hidden in white boxes of street lamps, buildings and utility poles, while others serving for parking information are buried under the asphalt. Other portable sensors are placed in the city's public transport system (buses, taxis and police vehicles).

Benidorm

The city of Benidorm is particularly interesting to e-Granada as it is Spain's first certified STD. It was awarded the rating of Q by the Institute of Spanish Tourism Quality as it passed the UNE 178501 Management System Smart Tourist Destination certification by AENOR. Table 12.2 lists some of Benidorm's STD strategies.

The Perception of Academics and Experts of the Benefits of Using Technology in Tourism Destination

The findings of the study of Reverté et al. (2018) in combination with those of The White Paper on Smart Tourist Destinations in Spain (Segittur, 2019) shed light on the perceptions of academics and experts on the questions of STD competitiveness, tourism experience, markets and satisfaction, security, privacy, and technology

Table 12.2 Examples of smart applications and services adopted by Benidorm

“Smart city of Benidorm” plan	
Strategy	Description
Smart beaches	Beaches with free Wi-Fi. This aims to improve tourism management and offer users demographic data.
“Beacons” system	This bluetooth system facilitates information as to the offers of the city to tourists through customized messages. The system also improves communications with tourists.
Citizen co-creation	Residents actively participate on the Benidorm Tourism Agency by creating new STD rules.
Mobile app “visit Benidorm”	App that facilitates and dynamizes visitor information.
Big data study on tourism spending	Identifies where (and in which markets) tourists spend their money.

acceptance. The different authors of these papers also explore the notions of technology use and acceptance of risk, and the expectations of potential tourists to the STD experience.

The following points relate specifically to the perception of tourism experts and tourists.

Tourism experts

- Most consider that the inclusion of technological elements is key to the development of STDs (3.94 out 5) and that the inclusions lead to improvements of strategic and technological business models (3.35 of 5).
- Most (81%; 4.06 of 5) report that inclusion of smart elements in tourist destinations improves the tourist experience.
- Experts on the whole do not consider that there is a significant reduction in the privacy and security of tourists as a result of including smart elements (2.24 of 5).
- Expert nonetheless express doubts as to the extent to which tourists apply the technology (3.18 of 5).

Tourists

- Tourists in general consider themselves prepared to use technology during their trip (4.2 of 5).
- Most (85%; 4.21 of 5) feel that geolocation and hyperconnected devices are useful to their tourism experience.
- Most do not mind that their information is used by third parties for personalized services, but they dislike being geolocated (3 of 5).

Business Problems and Questions

The city council of Granada aims to put in place a smart tourism plan for 2021 to bolster visits to the city. Its mayor commissioned a team led by Sainz made up of experts in marketing, technology, tourism, geography and e-commerce to develop the e-Granada project to implement technological, sustainable and accessibility services for tourists. Despite their high level of expertise, the team does not reveal a clear understanding of STD characteristics, the most useful technological platforms and services or their potential advantages and disadvantages for businesses and consumers.

Aiming to develop a comprehensible and realistic e-Granada project, Sainz and her team closely examined the findings of *The White Paper on Smart Tourist Destinations in Spain* (Segittur, 2019), an official platform offering in-depth observations as to (i) the definition of STDs and their main characteristics, (ii) which smart applications and services are used by Spanish cities already considered as smart destinations, and (iii) the perception of companies and potential tourists of STDs.

The results of this study point to several issues that require consideration in order to promote Granada as a smart destination. As members of Sainz's team, the students are asked to review the results of the exploratory study and submit an evaluation of the most useful technological platforms and services to incorporate and their potential pros and cons for businesses and consumers.

Technological platforms and services of STDs

- What types of platforms should Granada adopt in order to evolve from a traditional to a smart tourist destination?
- What specific services help make the pre-trip experience smart?
- What smart initiatives should be adopted to improve the tourism experience during and after the trip?
- Include two potential examples of sustainability, citizenship and mobile apps initiatives that should be adopted by a city to make it smart.

The pros and cons of STDs

- **Business:** What are the potential benefits for companies from Granada after it becomes a smart city? Will they be harmed? What types of companies will experience a greatest boom? Why?
- **Tourists:** To what extent are tourists prepared to make use of the technologies offered by a tourist destination? What are the main advantages of smart destinations for tourists? And the main disadvantages?

Conclusions

Despite the continued growth of tourism in the city of Granada, its city council is attempting to increase their number and improve the experience further in 2021. It therefore entrusted a team led by Sainz to develop a smart city project called “e-Granada” intended to enhance technological, sustainable and accessibility services for tourism. Despite the efforts of the team made up of experts from different fields, it does not fully grasp the characteristics of STDs, their most useful technological platforms and services, and their potential advantages and disadvantages for businesses and consumers.

Aiming to develop a comprehensible and realistic e-Granada project, the team mandated by the city council consulted *The White Paper on Smart Tourist Destinations in Spain* (Segittur, 2019), an official platform which offers an in depth definition of STDs, their main characteristics, the smart applications and services developed by Spanish cities considered STDs, and the perception of STDs by companies and potential tourists. The data advanced by the official report confirms the following notions:

- Granada can incorporate technological initiatives and platforms at various stages of the tourism experience. For the (i) pre-trip these include online travel agencies, chatbots, social networks and online ticketing. For the (ii) in-trip there are virtual traveler communities (e.g., Tripadvisor), collaborative tourism, geolocation, accessibility and sustainability, whereas for the (iii) post-trip there are comments on social networks and travel platforms.
- Despite the fact that most tourism professionals report that inclusion of smart elements into tourist destinations will improve the tourist experience, they nonetheless express doubts as to the extent to which tourists are turning to technology.
- Tourists are generally prepared for the use of technology during their tourist experience. They nonetheless show concern about the monitoring of their location.

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Teaching Note

Case Summary

The recent growth of smart tourism destinations around the world characterized by technological, sustainability and accessibility services is highlighted through a case study of the implementation of an STD in Granada, Spain. Despite the continued

growth of tourism in Granada, its city council desires to increase tourism figures in 2021 by means of a smart city project called e-Granada entrusted to a team led by Rocio Sainz. Although the team comprises experts from a number of different fields, there is evidence that they do not fully grasp the characteristics of STDs, their most useful technological platforms and services or their potential advantages and disadvantages for Granada's businesses and consumers. This case study requires the students to help Sainz's team develop the smart city project. More specifically, based on the data gleaned from the White Paper on Smart Tourist Destinations in Spain, students should clarify the main initiatives of STDs applicable to Granada, as well as explore the potential reactions of tourists and companies to smart environments.

By the end of this case study, students will (i) be in a position to make use of the existing data to offer an updated definition of STDs and their main characteristics, (ii) have gained a better grasp of the nature and functioning of STDs, (iii) be able to describe the most useful technological platforms and services that a city needs to incorporate in order to become an STD, and (iv) be able to identify the potential pros and cons of STD implementation for businesses and consumers.

Teaching and Learning Objectives

Based on secondary sources and on an empirical study developed in Spain, the teaching objectives of this case study are the following:

1. *Use existing data to offer an updated definition and characterization of STDs.*

The case study offers an in-depth explanation of the findings of the research carried out Reverté et al. (2018) and The White Paper on Smart Tourist Destinations in Spain (Segittur, 2019) which delve deeper into the definition, main foundations and characteristics (mobility, e-government, economy for smart destinations, society, lifestyle, energy efficiency and environment) of STDs.

2. *Familiarize students with the nature and function of STDs.*

Through a specific analysis of the benefits of smart cities and smart tourism destinations, students will identify the utility of implementing these initiatives.

3. *Describe the most useful technological platforms and services that a city needs to incorporate in order to become an STD.*

3.1. List examples of technological services and elements of typical smart versus traditional destinations.

3.2. Delve deeper into the main initiatives of sustainability, citizenship, technology and tourism experience of the Spanish destinations considered smart.

4. *Identify the potential pros and cons for business of creating a smarter city.*

5. *Offer insight into the perception among tourists of the ease, acceptance, benefits and drawbacks of STDs.*

Target Audience

The current case study targets undergraduate and graduate (master's degree) students of political science, hospitality, business, management, tourism, ICT, marketing and engineering as it covers a series of strategies to be implemented by public and business institutions such as governments, cities, hotels, recreation sites, tourist destinations, market researchers, psychological analysts and market learning. The intention of this case study is to develop an understanding of the nature and functioning of STDs, as well as to identify their most useful technological platforms and services. These are topics that are appropriate for graduate or undergraduate students as they may be entrusted in the future as professionals with the design of STDs. Issues emerging in planning for an STD project, as well as the understanding of the economic and social benefits and disadvantages for consumers and destinations, are themes of research suitable for a master's degree class.

Teaching Approach

The class structure and discussion should heed to the following recommendations:

1. The teacher creates groups of 4–5 students and assigns one of the following set of questions to each group:
 - What types of platforms should Granada incorporate to become an STD?
 - What specific services are needed to make the pre-trip experience smart?
 - What smart initiatives must be incorporated to improve the tourism experience during and after the trip?
 - Include two potential examples of sustainability, citizenship and mobile apps initiatives required to make a city smarter.
 - What are the potential benefits for companies from Granada after it becomes a smart city? Will local businesses could be harmed? What types will experience a great boom? Why?
 - To what extent are tourists prepared to resort to tourist destination technology? What are the main advantages offered by smart destinations to the tourist experience? And the main disadvantages?
2. The teacher then explains the length of the teamwork (about 3 contact hours).
3. Then, the academic staff advises students to familiarize themselves with the other members of the group. If they have not previously met, they should spend time to acquaint themselves and share background, interests and exchange contact details.
4. This can be followed by a general group discussion about the questions cited above, as well as to the challenges of STDs.
5. Then, the teacher proposes a role-playing activity in which two of the team members delve deeper into the advantages of STDs for businesses and consumers,

and the other two comment on the potential drawbacks for companies and customers.

6. After analyzing the great potential of STDs, each group member then stands and offers convincing reasons and observations supporting the utility of Granada becoming an STD.
7. The project concludes with a general discussion and a drawing up of a list of the tips to bear in mind on the part of the academic staff.

We hereby include some expected responses to the previous questions which aim to boost discussion among the students:

- What types of platforms should Granada incorporate in order to become an STD? What specific services are useful to render the pre-trip experience smart? What smart initiatives should be incorporated to improve the tourism experience during and after the trip?
- Granada can incorporate technological initiatives and platforms at various stages of the tourism experience. For the (i) pre-trip these include online travel agencies, chatbots, social networks and online ticketing. For the (ii) in-trip there are virtual traveler communities (e.g., Tripadvisor), collaborative tourism, geolocation, accessibility and sustainability. Finally for the (iii) post-trip there are social networks and commentaries on travel platforms.
- What are the potential benefits for companies in Granada after it becomes an STD? Will they suffer in any way? What types will experience a boom? Why?
- Despite the fact that most tourism professionals report that the inclusion of smart elements at tourist destinations improves the tourist experience and behavior, they express doubts as to the extent to which tourists actually use the technology during their trip. Therefore, companies should encourage the use of technological apps to experience greater enjoyment during their visit.
- To what extent are tourists prepared to use technology at a tourist destination? What are their main advantages for the tourist experience? And the main disadvantages?
- Tourists are generally prepared to resort to technology. In fact, 85% (4.21 of 5) consider that geolocation and hyperconnected devices can be useful. Although they do not mind that their data serves third parties to offer them personalized services, they dislike being geolocated.

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Tourist Behavior in Smart Environments

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Chapter 13

Marketing Suburban Tourism Destinations on Social Media: The Case of the City of Joondalup, Western Australia



Oscar Vorobjovas-Pinta and Violetta Wilk

Abstract Social media marketing plays a significant role in promoting tourist destinations worldwide, whether they are in urban or suburban areas. This case study highlights the importance of understanding the modern suburban tourist and the role social media plays in their destination-related decision making. The appropriate use of social media to attract visitors can be challenging for suburban destinations which often lack resources and a focused social media strategy. This case study evolves around the City of Joondalup, a northern region of Perth in Western Australia, and focuses on the City's efforts to grow tourist visitation by harnessing social media marketing. Three key issues are explored within the case study – suburban tourism, social media marketing and social exchanges through the Social Exchange Theory lens. Students are encouraged to use this case study to understand how a destination brand's digital and social media operating environment affects its efforts in targeting various audiences on social media, and, ultimately, to uncover opportunities for growth of suburban tourism in the City of Joondalup.

Keywords Suburban tourism · Digital marketing · Social media · Social Exchange Theory · Western Australia

Introduction

Tourism destinations operate in an increasingly competitive environment, requiring destination marketers to use creative and digitally oriented ways to attract the attention of tourists. The intense competition is evident not only amongst the well-established tourist destinations in urban areas, as the smaller and suburban destinations are also fighting for their place under the sun (Karakas, 2012; Mkono & Tribe, 2017). Social media has come to tourism marketers' aid in transforming the ways in which tourism destinations can be promoted. Indeed, social media has

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changed how tourists access, share, distribute, discuss and create information (Sigala & Gretzel, 2018), as tourists are now the creators of online brand-related narratives and identify what's 'hot or not' (Fuchs et al., 2018; Wilk, 2019).

This case study uses the City of Joondalup, a northern region of Perth, Western Australia (WA), as an example to explore the digital marketing potential in suburban tourism context. The case study highlights the importance of understanding the modern suburban tourist and their destination-related decision making. In order to develop suitable and targeted digital marketing tactics, which are currently neglected by the destination, and which will result in destination brand-relevant online engagement for the City of Joondalup, creative and strategic thinking is required. At the core of the City of Joondalup's suburban tourism-related issues are: poor understanding of their target audience, which could be addressed by applying market segmentation principles based on research and developing target audience personas; and, weak understanding of their digital and social media operating environment, which could be addressed by carrying out a Digital SWOT Analysis. Further, City of Joondalup has neglected to acknowledge that social media marketing should be part of their integrated branding and marketing strategy. Although strategic and integrated marketing the communications and branding strategies are outside the scope of this case study, these should be acknowledged and considered when looking at the broader marketing context.

As digital and social media are based on the principles of social networking and sharing, companies might benefit from understanding the modern, digital tourist, by looking at their digital behaviour through the lens of Social Exchange Theory (SET) (Lamb et al., 2020). SET might shed insights into how tourists engage in the exchange of information, ideas, experiences and perceptions online, why they would do so, and whether it has an impact on their subsequent travel-related behaviour (Mkono & Tribe, 2017; Paraskevaidis & Andriotis, 2017). Consequently, SET can be applied in the context of this case study to better understand the digital tourist and to propose a series of recommendations for the destination, the City of Joondalup.

Suburban Tourism

The definitions exploring the term 'suburban' are varied in their theoretical conceptualisations – they can be interpreted through the socio-economic, cultural and geographical points of reference (Hinchcliffe, 2005; Karakaş, 2012). This case study uses the term referring to a geographical space, namely the region covered by the City of Joondalup. Suburban areas include suburbs, as well as urban centres in the rural areas (Karakaş, 2012). As such, suburban tourism is defined as travel to the suburbs of the major cities for relaxation and other purposes (Huimin & Kavanaugh, 2005; Wirth & Freestone, 2003).

Suburban tourism destinations are often considered as secondary or peripheral destinations. Therefore, they are often overlooked by travellers. Destination marketers promote suburban destinations as alternative tourism destinations, often

capitalising on the area's natural, cultural or multicultural capital (Wirth & Freestone, 2003). Furthermore, examples from some countries with developed tourism infrastructure suggest that people will turn to suburban tourism focusing on leisure and holiday after experiencing urban tourism (Huimin & Kavanaugh, 2005). Suburban tourism is also one of the primary activities for the Perth city's residents.

Digital Tourists

In this digital era, tourists are very active on digital and social media channels (Dijkmans et al., 2020), and are often in charge of online tourism and destination-related narratives (Mkono & Tribe, 2017; Plunkett & Brooks, 2018; Sigala & Gretzel, 2018). Such online narratives are produced as user-generated content (UGC) in the process of networking and sharing online (Wilk, 2019). Moreover, with the increase in digital technology and, consequently, tourists' reliance on digital information in their decision making, tourists are increasingly receptive to digital and social media marketing and communication, be it brand or user driven (Miah et al., 2017; Sotiriadis, 2017; Tham et al., 2020). It has been noted that tourists are influential in identifying and creating online buzz about places of interest, and recommendations to visit, which they themselves find interesting and worthy of visitation (Wilk, 2019). As an example, the blue boathouse in Perth, WA has been underestimated as a key tourist attraction by Tourism Western Australia (Tourism WA), until international tourists gave it the "A.S.S." (Asian Selfie Spot) moniker and prolifically started using the #blueboathouse in their UGC featuring selfies at the site, making it one of the key places to visit in WA (Wilk, 2019).

More than ever before, destinations are tasked with developing targeted digital marketing efforts able to assist tourists in their decision making. The use of social media networks in tourism requires creative marketing approaches ensuring targeting the right audience to maximise exposure and brand awareness. Today, empowered by digital connectivity tourists consult various sources of information when making their holiday decisions. These sources are often reliant on authentic and trustworthy destination-related information in UGC, such as that found in travel forums, specialised blogs and online review sites (Miah et al., 2017; Sotiriadis, 2017; Tham et al., 2020).

Social Exchange Theory

Social Exchange Theory (SET) has been extensively examined in tourism studies, in particular in terms of destination management and marketing, and tourists' perceptions of destinations (Chang, 2018; Monterrubio & Andriotis, 2014; Paraskevaïdis, & Andriotis, 2017); however, its application in the digital marketing tourism context has only recently received some attention (Lamb et al., 2020). SET

explains social behaviour as an exchange which may result in tangible and intangible outcomes (Chang, 2018). It proposes that a person's actions are dependent on rewarding reactions from others. In the social media space, a person's actions such as posting of selfies from holidays, writing online reviews about the destination they had visited, or answering travel and destination-relevant questions in online forums, might be rewarded with 'Likes', favourable comments, new followers and fans, and other types of online acknowledgement by members of social networking platforms and sites. More precisely, in the case of the City of Joondalup, social media activity, specifically, brand-initiated and user-generated content, are likely to create traction online, by being fuelled by the intangible benefits to the brand and the user (such as likes, comments and shares which the post receives) (Chang, 2018). The theory might provide a lens through which the City of Joondalup will be able to better understand their tourists.

Background and Findings

Tourism in WA

Tourism is considered one of the key economic drivers in WA. Tourism generates 108,800 jobs and injects \$12.9 billion into the WA economy. The industry employs 73,200 people directly and an additional 35,600 indirectly; amounting to 8% of WA's employment in total (Tourism WA, 2019b). Tourism (directly and indirectly) is the fourth largest sector in terms of employment. Intrastate travellers (58%) dominate WA tourism, whereas interstate visitors (visitors from states other than WA) amount to 26%, and international tourists to 16% (Tourism WA, 2019c). In year ending June 2019, WA attracted over 5.7 million overnight visitors, of which 4.8 million were domestic and 924,000 were international visitors. The overall number of visitors to the state increased by 12% in comparison to the same period in 2018.

There are approximately 515,328 families with an average of 1.8 children per family in the Perth metropolitan area (Australian Bureau of Statistics, 2016), this equates to 27% of the 1,943,858 Perth population being families, creating an opportunity for the City of Joondalup to tap into. Domestic tourism within WA has grown substantially in recent years. Domestic day trips have increased from 13,446,769 in 2010/11, to 21,077,988 in 2017/18, while domestic overnight visits have improved from 24,758,308 in 2010/11, to 43,424,995 in 2017/18 (Tourism WA, 2019a). An increased focus on health and well-being (through participation in outdoor activities), and a weaker Australian dollar, are key drivers of this growth (Tourism Research Australia, 2019). Despite an upward trend in local visitors, the City of Joondalup has only seen modest improvements, in comparison to the state as a whole.

Tourism in the City of Joondalup, WA

The City of Joondalup consists of the metropolitan city, Joondalup, as well as other 21 suburbs, such as, Mullaloo, Hillarys, Duncraig and Warwick. The City of Joondalup, as a region, has a population of about 155,000 (Australian Bureau of Statistics, 2016) and covers an approximate area of 98.9 square kilometres from the suburb of Kinross in the north, to the suburb of Warwick in the south. The City's key attractions provide a drawcard for tourism, and include: 17 kilometres of pristine coastline, picturesque beaches, the Aquarium of Western Australia (AQWA), Hillarys Boat Harbour (Sorrento Quay with eateries, beach and swimming facilities), Sorrento Beach Resort, Lakeside Joondalup Shopping Centre, Joondalup Resort and Golf Course, and many others. Hillarys Boat Harbour, in particular, houses a range of eco-tourism offerings, such as whale watching, fishing, snorkelling and diving tours and activities. The Lakeside Joondalup Shopping Centre is also a favourite with residents and tourists alike, and has over 300 retailers, several food courts, a cinema, multiple outdoor restaurants, more than 4000 car bays, and a train stop, all under the same roof, making it a unique shopping destination.

The City of Joondalup has committed to becoming a “destination city” and has recognised the importance of the user experience and UGC in shaping the City and its story (Hunt, 2017). The leisure offering in the City of Joondalup aligns with the tourists' top five leisure activities in Perth metropolitan region (Table 13.1), yet the potential target markets are not necessarily reached.

According to Tourism Research Australia (Tourism WA, 2019a), most visitors to the City of Joondalup are domestic day-trippers (46%), followed by international overnight visitors (39%) and domestic overnight visitors (15%). In the 2014–2019 time period, international visitors to the City of Joondalup were more likely to be visiting friends and relatives (56.4% of all visitors), whereas 32% came for holiday, 8% for business and 5% for education. In the same period, domestic overnight visitors were also more likely to be visiting friends and relatives, (62% of all visitors), whereas 16% came for holiday and 13% for other unspecified reasons. Domestic daytrip visitors to the City of Joondalup were mostly visiting the region on holiday (43% of all visitors), whereas 34% came to visit friends and relatives, and 14% for other unspecified reasons. The segmentation variables that could be useful in developing a target audience persona, include: demographic, geographic, psychographic, and behavioural. A comprehensive development of a persona profile could assist the City to better understand its target audience.

City of Joondalup's Connectivity to Perth and Greater WA

Contrary to the commonly held misconception, the City of Joondalup is conveniently connected to the Perth Central Business District (CBD) via the Perth-Joondalup train line, as well as with other Perth suburbs and WA areas via the

Table 13.1 Top Five leisure activities during trip in Perth metropolitan region, averaged over years 2016, 2017 and 2018

	Average annual visitors	Percentage (%)
Estimated intrastate visitors		
Visit friends and relatives	1,769,600	58
Eating at a restaurant or café	1,669,500	54
Go shopping for pleasure	732,900	24
Sightseeing	531,200	17
Entertainment (pubs, clubs, discos etc.)	503,000	16
Estimated interstate visitors		
Eating at a restaurant or café	925,100	77
Sightseeing	350,100	29
Going to the beach	330,000	27
Go shopping for pleasure	298,000	25
Entertainment (pubs, clubs, discos etc.)	284,700	24
Estimated international visitors		
Eating at a restaurant or café	840,000	92
Go shopping for pleasure	711,200	78
Sightseeing	647,400	71
Going to the beach	601,900	66
Visiting national and/or state parks	510,100	56

Note: Leisure activities is multiple option question, therefore totals may not add up to 100%. Adapted from Tourism Western Australia (2019a)

Freeway. The City of Joondalup is only a 20-min drive or train ride from the Perth CBD; however, there is a general perception that the City is difficult to access and far away from Perth. Visitors to the City of Joondalup can also easily access Rottnest Island (commonly known as “Rotto – the home of the Quokka”, which is one of WA’s key attractions), through the ferry terminal at Hillarys Boat Harbour; making the City a “gateway to Rotto”. In terms of digital connectivity, the City offers ‘Discover Joondalup’ free Wi-Fi which gives tourists access to the Internet in most of the region.

Existing Attractions

Despite the abundance of beautiful fauna and flora in the City of Joondalup, the region has no physical visitors’ centre and struggles to overcome the perception that it has very little to offer. As such, there is generally low awareness of these key natural attractions and they are rarely shared on social media. For example: Marmion Marine Park along with the terrestrial reserves that extend to Burns Beach from Hillarys’ north; or the Yellagonga Regional Park often referred to as the Kings Park of the North which features walking and cycling trails and sites of historical importance; are almost unknown to Perth or WA residents and tourists.

The effective community design at the City of Joondalup, promotes cycling and walking. The City of Joondalup Bike Plan 2016–2021 further enhances safe, easy and convenient pathways and infrastructure for bike riding, and enforces the City's vision to be recognised as a bikefriendly city (The City of Joondalup, 2019). Further, The City of Joondalup is pet-friendly and provides dog owners many locations to exercise their pets, including the Elcar Exercise Dog Park – Joondalup's first fenced dog park, which launched in June 2019.

The sports and outdoor recreation facilities are also key attractions offered by the City of Joondalup, with key focus on water skiing zones (The City of Joondalup, 2019). Australia's first indoor surfing wave pool, the Aloha Surfhouse, offers indoor surfing facilities ideal for all ages. Further, an indoor aerial super park, Latitude Perth, houses basketball arenas, a huge airbag and jumping platform, clip-on climbing walls, a suspended obstacle course, zip line, freefall experience, ninja-parkour obstacle course and a large dedicated fun zone for children under five. These two attractions have created new offerings in the region.

City of Joondalup's Digital Presence

Salesforce Social Studio was used to ascertain the level and type of social media activity about City of Joondalup, by analysing publicly available UGC, for the time period of 29 December 2019 through to 29 January 2020. This platform is often used by the industry for social media listening and monitoring (Salesforce, 2020). Salesforce Social Studio contains a scoring algorithm based on the frequency and relatedness of words and other cues (such as emojis and emoticons) that determines the sentiment of social media content (Salesforce, 2020). The sentiment type is thus assigned by the platform at the time of data collection and classification. The social media monitoring analysis reported in Fig. 13.1 offers insights into social exchanges which occur in social media UGC, and, subsequently, enable the Social Exchange Theory (SET) to be applied in this context.

As at January 2020, social media sentiment for the City of Joondalup brand was primarily positive at 73% (Fig. 13.1a). A spike in positive sentiment occurred on 15 January 2020 when 32 positive posts were published online, followed by 26 January 2020 with 24 positive posts and 10 January 2020 with 10 positive posts (Fig. 13.1b). Twitter, Facebook and YouTube were the predominant social media platforms driving online discussion about the region (Fig. 13.1c). Unfortunately, at 841, the post volume for the 30-day period snapshot was quite low, with all social media platforms experiencing a decline in social media activity about the region during this period (Fig. 13.1c and d). There was an evident, 32% decline in UGC when compared to the month of December 2019, and the decline was evident across all of the main social media platforms (Fig. 13.1d).

The key influencers (in terms of content volume and engagement levels) driving positive sentiment online are:

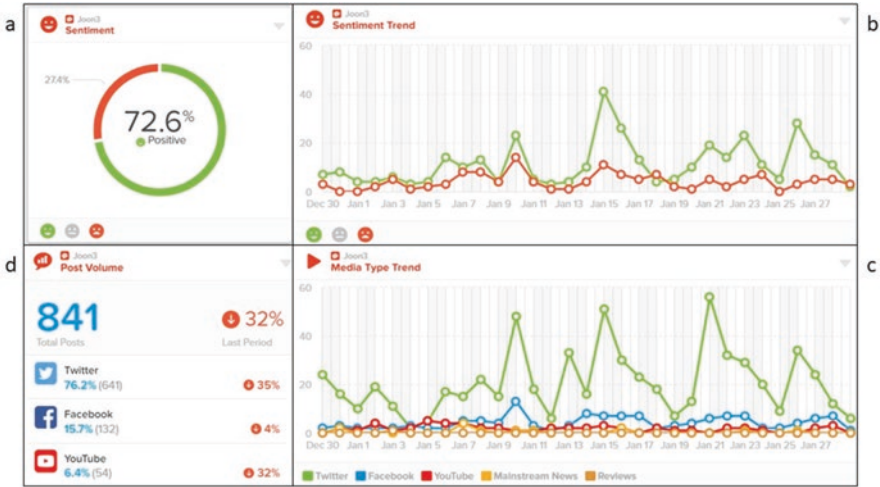


Fig. 13.1 Social media monitoring analysis. (a) Sentiment break down for the City of Joondalup. Positive sentiment represented by the green bar and negative sentiment by the red bar. (b) Sentiment Trend for the City of Joondalup. Positive sentiment represented by the green line and negative sentiment by the red line. (c) Social Media Type Trend for the City of Joondalup. (d) Post volume for the City of Joondalup. Activity decrease represented by down arrows. Source: Salesforce (2020)

- Community News – Wanneroo Joondalup Times and Wanneroo Joondalup Weekender
- 7 News Perth
- Nova 937
- Edith Cowan University, Joondalup Campus

The City of Joondalup has presence on most social media platforms, including Facebook, YouTube, Twitter, Instagram and LinkedIn (The City of Joondalup, 2019); however, its engagement on these platforms is extremely irregular and seems to be uncoordinated and not targeted to the relevant audience. The City is slow to respond to UGC (such as comments and reviews) – on average it takes about 12 h for the City to respond, if at all. There appears to be a lack of audience engagement and lack of call to action across all social media for the City of Joondalup; Instagram, YouTube and LinkedIn have been particularly neglected.

The City has over 35,000 followers on Facebook and experiences reasonable engagement with video content. However, there is little presence and little recent activity on YouTube and the #myjoondalup, an official hashtag for the City of Joondalup which it manages, has only 667 posts to date, suggesting it is not widely used by the online community. The City's Twitter content mirrors their Facebook content, there is little tailoring of the content to the specific platform, suggesting that there is a lack of a social media marketing strategy and this perhaps affects engagement levels across social media.

The City of Joondalup website (<https://www.joondalup.wa.gov.au/>) has been recently redesigned, and is user-friendly and easy to navigate, allowing users to view the website content in different languages. The website's home page includes colourful images of people, key attractions and events. It also provides links to all of the City's social media profiles, as well as access to view information about events, updates and other information. The City has recognised that some of its social media presence is fragmented and does not clearly tell its 'brand story', and its branding, specifically, its 'look and feel' is inconsistent in the online space. The City has also identified an opportunity to bring together its offline stakeholders (including: residents, local businesses, visitors and prospective visitors as well as other stakeholders) in the online space, but has not determined how best to do this.

The City of Joondalup is yet to apply experiential digital technology, such as Augmented Reality (AR) or Virtual Reality (VR), in its branding and marketing efforts. This technology has not been used by its competitors to date and presents a first mover advantage in the WA tourism space.

Notably, Tourism WA have a combined following of approximately 1.27 million across Facebook, Instagram and Twitter. Further, the Perth Region Tourism Experience, trading as Experience Perth, currently has over 180,000 followers across social media and 1.7 million visits annually to their Destination Perth website. Both of these organisations present an opportunity for a digital partnership with the City of Joondalup. Digital SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis can assist to better understand its digital operating environment.

Discussion

In this digital era tourists are in charge of destination-related online narratives, as they define what is 'hot' or not in tourism (Sigala & Gretzel, 2018; Wilk, 2019). This has been exemplified in the case of the #blueboathouse, when international tourists identified it as the most popular selfie spot in WA, above other better profiled places, labelling it the "A.S.S." (Wilk, 2019). UGC, such as that created by tourists, is perceived to be more trustworthy and more authentic than destination-generated content (Fuchs et al., 2018). For the City of Joondalup to stay competitive in suburban tourism, the region needs to recognise that it exhibits weaknesses, it is not currently addressing evident threats, and is subsequently missing out on opportunities which exist in the digital and social media marketing space. Furthermore, there seem to be various target audiences which the city does not currently identify or address well in its digital and social media marketing efforts. Overall, it appears that a haphazard approach is being followed when it comes to the city's digital and social media tactics, requiring a more strategic and integrated digital and social media marketing plan.

As shown in Fig. 13.1, social media activity about the City of Joondalup is not plentiful and not all positive. Additionally, the City's social media presence is not well organised and quite fragmented and irregular; detrimental to destination-tourist

relationship building online. It would seem that the City is lacking resources (time, skills, budget), effort and commitment necessary for effective social media marketing. It might need to look to diverting resources from other initiatives into social media marketing.

The City of Joondalup might consider working with other stakeholders such as the local community, the government and agencies such as Tourism WA and Tourism Australia, as well as the Tourism Council of Western Australia, local businesses (restaurants, shops, service providers). Digital marketing collaborations of this kind, including cross-promotion of events and other destination-relevant information, will provide further exposure and brand awareness of the city and its suburban tourism attractions.

The City should also investigate which online communities prospective and current tourists are part of, and engage with those networks. For example, local and tourist groups on Facebook and Instagram, such as “Joondalup Community”, “Joondalup Local Businesses”, “Places to See in WA” and “Places to see in Australia”. Social media competitions and the use of hashtags relevant to the city’s offerings and attractions, will ensure further exposure to prospective tourists, solidify brand loyalty from existing tourists and foster overall engagement with the city’s brand online. For example, the most popular Joondalup-related hashtags on Instagram include: #perthnorthernsuburbs, #perthisOK, #perthfamilies, #northfriver. The City should also make use of Tourism Australia and Tourism WA campaign hashtags to link in with broader tourism-related narrative, for example: #holidayherethisyear, #seeaustralia. Specifically, the City of Joondalup should look to initiatives which nurture its extant tourists as online brand advocates for the city, as such advocates are able to initiate destination-relevant online discussion and advice, provide insightful tourist-related experience-based knowledge, defend the city in times of need, and foster overall positivity for the city (Wilk et al., 2019).

Conclusion

This case study explored three key concepts – suburban tourism, social media marketing and the SET – in the context of the City of Joondalup, WA. The case study has provided an indepth understanding of the region’s suburban tourism offering, profiling of extant and potential visitors, as well as analysing the current social media presence and its digital operating environment. While the City of Joondalup is popular amongst some intrastate, interstate and international visitors, it struggles to overcome the perception that it has very little to offer. This could be partially attributed to the lack of a well-thought-trough and well-resourced social media strategy, which could appropriately identify the region’s target audience and understand the present digital and social media operating environment. The case study is grounded in SET, which suggests that the facilitation of the UGC might be the way forward in creating some traction online. The theory might provide a lens through

which the City of Joondalup will be able to better understand their tourists and to further galvanise its place as the suburban WA destination of choice.

Additional Material

Economic analysis of the tourism sector in the City of Joondalup – <https://economy.id.com.au/joondalup/tourism-value>

The City of Joondalup Annual Report 2018–2019 – <https://www.joondalup.wa.gov.au/kb/resident/annual-report-2018-2019-2>

The City of Joondalup Strategic Community Plan 2012–2022 – <https://www.joondalup.wa.gov.au/kb/resident/joondalup-2022>

The City of Joondalup Tourism Video – <https://youtu.be/iq1gsOzNlns>

Teaching Note

Case Summary

The suburban City of Joondalup in Western Australia (WA) has embarked on a mission to become a “destination city” (The City of Joondalup, 2019). As evidenced in the 2018/2019 report, the City has recognised the importance of the user experience (offline and online) and user-generated content (UGC) in shaping the city and its story (Hunt, 2017). Whilst the City is present on the major social media channels and has a predominantly positive sentiment analysis, it does not perform as well as they would want to. This case study aims to engage students’ critical thinking in terms of analysing the results of the exploratory assessment of the City’s promotion, marketing and branding efforts and propose recommendations in the area of strategic marketing.

Targeted marketing tactics and efforts that would result in destination brand-relevant online engagement, need to be considered. Students are also tasked with understanding the digital and social media operating environment, by carrying out a Digital SWOT Analysis. Notably, an understanding of strategic and integrated marketing communications and branding strategies is also required and refined in this case study. As digital and social media are based on the principles of social networking and sharing, companies might benefit from understanding the modern, digital tourist, by looking at their digital behaviour through the lens of Social Exchange Theory (SET) (Lamb et al., 2020). SET might shed insights into how tourists engage in the exchange of information, ideas, experiences and perceptions online, why they would do so and whether it has an impact on their behaviour (Mkono & Tribe, 2017; Paraskevaidis & Andriotis, 2017). Consequently, students are required to apply SET

to better understand the digital tourist and to propose a series of recommendations for the suburban destination, the City of Joondalup.

Teaching and Learning Objectives

1. Define and Identify the Benefits of Suburban Tourism

Suburban tourism is crucial for destinations that are near the major cities. The promotion of a greater dispersal of tourists and their spending is beneficial for the regional economic development (Karakas, 2012; Mkono & Tribe, 2017). As such, there is a potential for the growth of suburban tourism. Suburban tourism is defined as travel to the suburbs of the major cities for relaxation and other purposes (Huimin & Kavanaugh, 2005; Wirth & Freestone, 2003).

Whilst the case study is focused on the City of Joondalup, students could be encouraged to think of suburban tourism destinations in their vicinity. Students could be asked to critically reflect on why suburban tourism destinations are important and what are some of the challenges suburban tourism destinations are facing.

2. Introduce the Social Exchange Theory

Social Exchange Theory has been extensively examined in tourism studies, in particular in terms of destination management and marketing (Chang, 2018; Monterrubio & Andriotis, 2014; Paraskevaidis, & Andriotis, 2017). Social Exchange Theory explains social behaviour as an exchange which may result in tangible and intangible outcomes, where a person's actions are dependent on the rewarding reactions from others (Chang, 2018). In the case of City of Joondalup, social media activity, specifically, brandinitiated and user-generated content, are likely to be driven and generate traction online, fuelled by the intangible benefits to the brand and the user (such as likes, comments and shares on and of their content) (Chang, 2018).

3. Identify and Define the Benefits of Appropriate Branding and Brand Awareness

Encourage students to:

- (a) Position the City of Joondalup as a convenient and interesting short-stay destination with 'lots to offer' including eco-tourism, and a gateway to Rottnest Island, one of the main tourism attractions in Western Australia.
- (b) Increased brand awareness and message around the City of Joondalup has something for everyone: Lakeside Joondalup Shopping Centre, available transport methods and the surrounding nature (The City of Joondalup Strategic Community Plan 2012–2022).
- (c) Develop a social media marketing strategy which takes into account owned, paid and earned media; schedule regular content to guide its customers (visitors) through their decision making, regularly engage with content produced by social media audience.

- (d) The attractions such as AQWA, Hillarys, Joondalup Resort etc., provide a range of possibilities for Joondalup to cross promote its offerings to visitors at these locations.
- (e) Create professionally produced social media content, such as YouTube videos, to promote the City's attractions and position the City as the perfect place to stay and explore.
- (f) Align their fragmented social media presence and strengthen relationships and work closely with key influencers who are driving positive online brand sentiment for the City of Joondalup brand.
- (g) Better understand the City of Joondalup's customers and the decision-making process (customer journey mapping): target market segmentation and customer decision making journey.

Target Audience

This case study has been designed for undergraduate and graduate (master's degree) students in tourism and leisure as well as marketing programs. It covers such areas as destination management and marketing, branding and brand awareness, social media, integrated marketing communications and tourism product development. The intent of the case study is to develop students understanding in how destinations promote, and brand themselves using social media, as well as how integrated marketing communication (IMC) appropriate for the intended audience (target market) could be developed. Students are expected to develop a report similar to that typically required of a consultant agency.

Teaching Approach and Strategy

It is recommended to deliver the case study in two sections. The first section could start by reviewing three key concepts introduced in the case study – suburban tourism, social media marketing and Social Exchange Theory. Importantly, it should be discussed why suburban tourism destinations are important and what are some of the challenges suburban tourism destinations are facing today. If necessary, additional marketing and communication theories could be also introduced, the case study uses the Social Exchange Theory and puts emphasis on user-generated content.

The second section could be dedicated to review the tourism profile of the City of Joondalup and Western Australia. Students should engage with the exploratory assessment of the City of Joondalup's social media marketing presence and teething issues. A discussion of students' remarks and observations of the 2018/2019 annual report and economic analysis of the City's tourism sector could enrich the overall analysis.

The insights provided in this case study raise several issues that should be carefully considered in marketing the City of Joondalup as a suburban tourism destination. As a consultant for the City of Joondalup, you have been tasked to review the results of the exploratory assessment of the City's social media marketing efforts. You are to prepare a recommendation of strategic marketing direction for the City of Joondalup with respect the following areas:

Suburban Tourism

1. What characteristics make the City of Joondalup a suburban destination?
2. What are the benefits in promoting the City of Joondalup as a suburban tourism destination?

Digital Marketing

1. Conduct a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis for the online, digital operating environment for the City of Joondalup. Refer to the sentiment analysis given in the case study.
2. How can the City of Joondalup turn its weaknesses around? Propose some suggestions for the weaknesses you had identified in your SWOT.
3. Identify and describe three types of social media types used by the City. Consider whether they are owned, paid or earned media.
4. Identify and describe three digital and social media marketing trends that the City of Joondalup should utilise to better brand and market itself in the digital environment.
5. A typical Digital Customer Journey consists of the following stages: awareness, consideration, conversion, brand loyalty and brand advocacy. Map out a Digital Customer Journey for a typical City of Joondalup visitor.
6. Using the Digital Customer Journey, propose a digital marketing strategy for the City of Joondalup, by identifying suitable digital and social media tactics to target prospective visitors. For this task it is best to focus on one target market of your choice. Use the template (Table 13.2) to develop a Target Audience Persona (the typical person who is representative of the target audience to whom you are communicating on social media).
7. Referring to Table 13.1, suggest some ways how the City could target the three audiences via digital and social media marketing. Specifically, please explain the what, where, how and why of your suggested digital and social media marketing tactics. Please address the following:
 - a. What is the objective for targeting each of the three audiences via digital and social media? (one objective for each target audience).

Table 13.2 Target audience persona development template

Name	Job Title of Role	Experience and Education
Photo or Sketch	Key Demographic Details (Age, Gender, Profession, Income)	Personality and Behavioural Characteristics
What is their attitude towards technology and social media?	What do they know, think about and feel about your brand?	What is their lifestyle, hobbies and interests?
Which social media platforms does this person actively use?	Which digital devices does this person use?	How much time do they spend on social media, online every day/week?
What are their favourite types of social media content?	What do they like to do on social media?	What type of social media user are they?

- b. What is the message for each of the three audiences? (one message for each target audience).
- c. Give an example of digital and social media marketing content and what you would include in the content, for each of the three audiences.
- d. Specify which digital and social media channels you suggest using to target each of the three audiences.

Social Exchange Theory

1. By applying the Social Exchange Theory (SET), provide convincing arguments to the City of Joondalup to further support the recommendations you have made in the previous sections. What are some of the potential limitations of the exploratory assessment of the city's promotion, marketing and branding efforts?
2. By applying the SET and referring to the information within the case study, please explain how the city's tourists and prospective tourists co-create destination-related information online, and how this exchange can assist in branding and marketing the city.
3. List and explain the role of social media users which the city can engage to facilitate online destination-related exchanges.
4. Why would tourists share about their destination-experiences and information online? What's in it for tourists and what's in it for the city? Refer to the SET to assist you in answering this question.

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Suggested Readings

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Chapter 14

Mandatory System Usage Behaviour: A Case Study in Australian Resorts



Leo Y. L. Kwong, Susan Foster, and Victoria Peel

Abstract Hotel Information System (HIS) usage is increasingly becoming mandatory for hotel and resort employees. However, there is limited research attention directed to examine mandatory system usage in the hospitality literature. This study adopts a multiple case study design to explore the usage behaviours exhibited by frontline employees when interacting with HIS mandated by a large resort operating in Australia. The study findings suggest that HIS users frequently perform a wide range of usage patterns to overcome the encountered workflow blocks. Various reasons were noted for users carrying out the diverse system practice. Recommendations in overcoming the challenges in managing mandatory system usage behaviour in the hotel and resort industry will be discussed. This study further outlines research directions guiding future studies to investigate the complexity of mandatory system usage within the hospitality context.

Keywords Mandatory system usage · Hotel Information System (HIS) · Hotels and resorts · Workflow blocks · User requirements

Introduction

Hotel Information System (HIS) usage is increasingly becoming mandatory for hospitality employees to innovate their business processes and service quality delivery (Shin et al., 2019). HIS refers to the various systems used to directly operate and manage the primary hotel and resort subdivisions including, front office, back office operations, restaurant and banquet management and guest-related interfaces (Kim et al., 2013). One of the most prevalent examples of HIS applied to the contemporary hotel and resort industry is the Property Management System (PMS) (Cohen & Olsen, 2013). Over 84% of the hotels and resorts operating in Australia have

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implemented a PMS (Australian Bureau of Statistics, 2016) to conduct their daily business activities including, room reservations, guest registration and departure, guest accounting and yield management (Melián-González & Bulchand-Gidumal, 2017). Additionally, frontline users can access relevant and timely customer information from the PMS database to customise a unique and personalised service experience for each individual guest to engender customer satisfaction (Piccoli et al., 2017).

The anticipated benefits of HIS implementation can only be realised when the users embrace and fully utilise the system for the tasks it was designed to support (Sun et al., 2019). However, users frequently find the mandated usage practices misalign with their operational needs (Wilkin & Davern, 2012). When this occurs, users can either choose to comply with the system-dictated workflow or devise their own usage practices to regain control in executing their work tasks (Walsh et al., 2016). However, both usage options are fundamentally suboptimal and can lead to knowledge transfer breakdown between departments (Stankov et al., 2019). This further hinders service quality delivery and diminishes the overall customer experience and satisfaction (Köseoglu et al., 2019).

Contemporary hotels and resorts will continue to rely on HIS implementation to innovate their service delivery processes to attract and retain customers with heightened expectations and lower brand loyalty (Lim et al., 2018). There is increasing significance for hotels and resorts to better understand and manage mandatory system usage, but thus far has received limited research attention (Sigala, 2018). To bridge the knowledge gap, this case study expands on the researchers' earlier work which detailed the workflow blocks encountered by frontline HIS users (Kwong, 2019). This study aims to explore the mandatory system usage behaviour exhibited by frontline employees when interacting with HIS. In light of the research aim, three learning objectives have been proposed:

1. Explore the dynamics of mandatory usage behaviour exhibited by users of HIS
2. Evaluate the underlying reasons shaping different forms of mandatory HIS use behaviours
3. Provide recommendations for managers to optimise mandatory HIS usage behaviour

The case study is structured in six sections: next, a literature review to establish a general understanding relating to mandatory system usage. The following section outlines the case study background, data collection and analysis methods, then the case study key findings and discussion. The final section presents the conclusions drawn from the case study analysis.

Literature Review

Mandatory system use is the requirement of users to engage with a specific Information System (IS) to perform their work tasks (Brown et al., 2002). Early IS implementation studies have treated user adoption of mandatory systems as a

relatively straightforward concept. The system is implemented as directed from top management (Lamb & Kling, 2003). The IS functionalities have been firmly integrated in cross-departmental business processes, thus making IS usage mandatory for all employees to complete their work tasks (Jaspersen et al., 2005). Upon implementation, users are further trained to apply a range of system features and the manner through which they should be used to ensure operational efficiency, managerial control and decision making (Volkoff et al., 2005).

Subsequent IS research studies have highlighted that mandatory system usage is often more complex than originally portrayed in the literature (Chae & Poole, 2005). While users are engaging with the system as mandated, they frequently encounter workflow blocks, impediments which disrupt their abilities in executing the work routine (Halbesleben et al., 2008a, b). Some workflow blocks are intentionally devised by system developers and/or management to minimise user error and assure compliance with organisational procedures, industry standards and/or regulations (Drum et al., 2015). Common examples of intentional workflow blocks include changes in usage policies and restrictions (Parks et al., 2017). Other workflow blocks may be unintentional such as system defects, cumbersome business process design, inadequate organisational resources, lack of system training provided and user resistance (Friedman et al., 2014).

When encountering workflow blocks, users tend to adapt in different ways to regain control in executing their work tasks (Bala & Venkatesh, 2016). Recently, Bhattacharjee et al. (2018) proposed a taxonomy summarising the four primary types of usage behaviours within a mandatory system usage context: Engaged, compliant, reluctant and deviant usages. The taxonomy which is selected as the theoretical basis for this case study, is depicted in Fig. 14.1.

As shown in Fig. 14.1, each behaviour category is compared against the user’s emotional and behavioural responses towards IS usage at a given point in time. Emotional responses refer to the user willingness to apply the system features and functions as intended by system designer and/or mandated by the organisation (Beaudry & Pinsonneault, 2010). Behavioural responses depict the extent to which users follow the mandated usage practices (Liang et al., 2013). Each behavioural category will now be discussed in the sections below.

Emotional response	Positive	<i>Engaged usage</i>	<i>Compliant usage</i>
	Negative	<i>Deviant usage</i>	<i>Reluctant usage</i>
		Non-compliant	Compliant

Behavioural response

Fig. 14.1 Matrix of mandatory user responses, adapted from Bhattacharjee et al. (2018, p. 398)

Categories of Mandatory System Usage Behaviour

The first behavioural category of mandatory usage is engaged usage which denotes users actively experimenting and extending the manner through which the system should be used (Bhattacharjee et al., 2018). While the usage pattern is non-compliant, the user explores the synergy between the system design and business process requirements and successfully yields enhanced operational and/or managerial outcomes (Bagayogo et al., 2014). Additionally, engaged users are often enthusiastic and display a strong sense of proficiency, comfort and control over IS use (Kwahk et al., 2018). Although engaged usage is the optimal way in applying system features, it is generally considered a rare form of mandatory usage behaviour (Tucker, 2016).

The second category being compliant usage which has been the conventional way of validating system implementation success (Xue et al., 2011). Users interact with the IS features as mandated by the system designer and/or management and the usage pattern supports the attainment of organisational goals (Bhattacharjee et al., 2018). However, compliant usage also depicts users becoming complacent and accepting the mechanistic work practices as a satisfactory way in completing their work tasks (Li et al., 2013). This user attitude is in contrast to the premise of system implementation which is to continuously seek opportunities to advance system design and organisational performances (Rahimi et al., 2016).

The third category is reluctant usage where users unwillingly comply with the system-dictated workflow (Bhattacharjee et al., 2018). Users exhibiting this behaviour often lack the necessary knowledge or skill to overcome the system design constraints and thus, grudgingly comply with the mandated usage practices (Blijleven et al., 2017). However, the performance outcome often negates operational efficiency and can negatively influence user perception of the organization and work environment (Kwahk et al., 2018).

Finally, deviant usage refers to users implementing their own solutions to circumvent the workflow interruptions (Bhattacharjee et al., 2018). However, the behaviour provides minimal support to the attainment of organisational goals and a high level of user dissatisfaction is often observed (Schwarz et al., 2014). Deviant response can take many forms, ranging from avoiding, delaying and underutilising system features and more commonly, via the manifestation of workaround practices (Laumer et al., 2016).

The literature review examined the diverse types of usage behaviours within a mandatory context. The practices are enacted by users to overcome the encountered workflow blocks to maintain or regain control in executing their work routines. The next section profiles the research background, data collection and analysis methods employed to explore the mandatory system usage practices devised by frontline users in hotels and resorts.

Research Methods

This study employed a multiple case study design (Yin, 2018) to explore the mandatory system usage behaviours exhibited by frontline employees within the hotel and resort industry. The primary data source was drawn from semi-structured interviews to generate insights and a deeper understanding on the way frontline users engage with the PMS when interacting with customers (Williamson, 2018). The interview instrument was adapted from Saleem et al. (2009) and Saleem et al. (2011), and contained 20 questions distributed in five sections (Kwong, 2019). Thematic analysis of the transcribed interview data was carried out using NVivo version 12, to systematically interpret key themes from the qualitative data gathered (Ignatow & Mihalcea, 2017).

Case Study Background

This case study was carried out in a large Australian resort, hereby referred as “ResortA”. The resort currently operates numerous hotels and resorts, a major convention centre, multiple restaurants, bars, retail outlets and recreational activities available to guests. Additionally, ResortA hosts various special events each year to attract domestic, international, leisure and business visitors. At the time of conducting this case study, the resort’s average annual occupancy is 81%.

To effectively manage such a large, complex and diverse operation, ResortA decided to deploy a fully integrated PMS to generate an extensive database gathered through all major guest transactions, ranging from accommodation, food and beverage, retail and recreation divisions. In doing so, frontline employees can access timely and relevant information when pursuing customer needs to foster greater customer satisfaction and patronage. ResortA mandates initial system training for all users. The training structure primarily consists of: attending classroomstyle sessions, participating in on-the-job training, completing e-Learning programs developed by the PMS company and/or accessing webinars and/or system manuals. Additionally, the IT department performs regular system maintenance, upgrades and customises system features to support business needs and the operational requirements of frontline users.

Despite ResortA’s numerous efforts as stated above to ensure mandatory PMS usage aligns with organisational goals and business decisions, users continue to enact their own practices when interacting with the PMS. This leads to a constant breakdown of knowledge transfer between departments, creating confusion and conflict during service performances and ultimately, hinder customer satisfaction. This case study focuses on the mandatory PMS usage behaviour exhibited by the ResortA frontline employees.

Findings

This section discusses the key finding of the case study. It is structured to firstly profile the demographic characteristics of the case study participants. It then reports on the different categories of workflow blocks and the HIS usage practices developed by frontline users to maintain their work routines. Additionally, the underlying reasons driving the devised practices are also documented.

Participants

A total of eight ResortA employees were recruited to participate in the case study, resulting in eight face-to-face interviews being conducted. The average interview duration was approximately 30 minutes. The demographic characteristics and work profiles of the participants are summarised in Table 14.1.

The participants were eight female full-time employees, with an average age of 25.1 years old. Educational achievements were at vocational level, with two participants having gained their Certificates and the remaining six participants attained their Diplomas qualifications. In terms of work experience, the research sample consisted of five frontline staff members and three managers working in the Front Office and Tour Desk departments. The average duration of employment for the current position was 11.3 months.

Table 14.1 Demographic characteristics and work profiles of the participants

Participant	Age	Gender	Education	Position	Department	Status	Work tenure (months)
A	25–30	Female	Certificate	Duty manager	Front office	Full time	12
B	25–30	Female	Diploma	Frontline staff	Tour desk	Full time	06
C	19–24	Female	Diploma	Frontline staff	Front office	Full time	15
D	19–24	Female	Diploma	Frontline staff	Tour desk	Full time	04
E	25–30	Female	Diploma	Manager	Tour desk	Full time	23
F	31–36	Female	Diploma	Duty manager	Front office	Full time	09
G	19–24	Female	Certificate	Frontline staff	Front office	Full time	06
H	25–30	Female	Diploma	Frontline staff	Tour desk	Full time	15
<i>Average:</i>	<i>25.1</i>	–	–	–	–	–	<i>11.3</i>

Mandatory User Responses

All eight participants advised they frequently encountered workflow blocks during mandatory usage of HIS. When encountering workflow blocks, participants exhibited four distinct usage behaviours, as presented in Table 14.2.

As noted in Table 14.2, the workflow blocks encountered were circumvented by deviant usage on three occasions. This was followed by compliant and reluctant usage responses, both accounted for two incidents respectively. Finally, only one case of engaged usage response was noted. Each behavioural category will now be discussed in the sections below, with specific participant comments drawn from interviews to demonstrate the context being studied.

Deviant Responses

Deviant responses were noted on three occasions during the interviews. The participants devised workaround practices to immediately and temporarily overcome the workflow blocks encountered. An example of workaround practice was associated with the participant manipulating system data to streamline workflow, as outlined below:

The system requires us to collect the guest's home address when making a tour booking like, state and country. If we do not input the details into the system, the booking cannot be made.

Table 14.2 Description of the workflow block identified, adapted from Kwong (2019, p. 528)

Participant	Workflow block	Description of workflow block	User behaviours
A	Lack of procedures	Lack of procedures in place to ensure performance consistency	<i>Engaged</i>
B	System design blocks	The system mandates capturing all customer data which the participant found unnecessary for performing the work task	<i>Deviant</i>
C	Cumbersome procedures	The existing work procedure comprises of many steps which participants found cumbersome to follow through	<i>Deviant</i>
D	System loading time	The system loads for a prolonged period of time delaying the workflow	<i>Reluctant</i>
E	Lack of training	The participant did not attend training and thus, does not know how to apply the system feature	<i>Deviant</i>
F	System froze	The system constantly freezes when the participant is performing daily tasks	<i>Compliant</i>
G	System shutdown	The system shuts down unexpectedly when the participant was performing daily tasks	<i>Compliant</i>
H	System error	The system incorrectly charges the guest the wrong amount	<i>Reluctant</i>

Instead of asking the guests, I just select “NSW” and “Australia” as the default answers for all my bookings.

I asked my manager why we are collecting this information but was told this is a system design issue. So no real benefit for us. I know my default answers may not be correct but the system gets the data, my manager is happy and I can book the tour for the guests, everyone wins. (Participant B)

Another type of workaround practice depicts the participant modifying the procedural steps to optimise operational efficiency and enhance the customer service experience, as detailed below:

We are advised to post mini-bar items individually. Say the guests had consumed two bottles of water, we have to post the same transaction twice. We had a big check-out day one day and I needed a quicker way to do this. So I just charged the two transactions as one, changed the description to “x2 waters”. So much quicker and the guests do not have to wait as long. Besides the money still goes to the company. Why not? (Participant C)

The final workaround practice illustrates the participant creating and relying on a separate program instead of the mandated HIS to maintain business information, as the following manager explains:

The resort offers multiple tours, each activity is a little different than the other, like meal plans and what to bring. We recently had to compensate a few guests because we told them the wrong tour information. As the manager, it is my job to ensure this does not happen again.

I wanted to upload all tour information in this system. I missed the actual training session and there was no webinar for me to follow up. So I decided to store the information in a spreadsheet instead. My team now has to jump between systems to book tours but at least they always have access to the right information. (Participant E)

Compliant Usage

Two of the eight participants indicated compliant system usage. It is important to highlight that both participants were able to circumvent the workflow blocks encountered but decided to continue with compliant usage, as illustrated by the following duty manager:

The system freezes quite a bit during check-in. When this happens, I would restart the system and chat with the guests. We always have a post-it note for every arrival guest and it has some useful information like birthday and booked tours. By the end of our conversation, the system is back on.

With such a good backup procedure in place, we did not really lose control during checkin and still end up getting the same guest information. So I really do not need to waste my time looking for another way to maintain the workflow. (Participant F)

Another participant continued with compliant usage to ensure her usage performance adhered to industry standards, as commented by the following frontline staff:

Sometimes, the system would shutdown unexpectedly, just before I can process their credit cards. I would reboot the system and ask the guests, "How was your stay?" to buy the system a bit more rebooting time. Once I can log back into the system, I would continue the check-out process.

Some guests had suggested that I should write down their credit cards on a piece of paper and charge them later. This will definitely be more convenient but no thank you. Credit card fraud is so common these days, I would rather do the right thing by the books. (Participant G)

Reluctant Usage

Reluctant usage was the response in two cases. Both participants complied with the IS-dictated workflow because they lacked the necessary knowledge to circumvent the situations, as indicated by the following frontline user:

The system always takes a long time to confirm a tour booking. Some guests are okay to wait but others do get quite upset. It would be great to have a way to deal with the issue but the problem is coming up with the solution. All I can do here is apologising to the guests and wait. (Participant D)

Another participant encountered a system design error but also could not circumvent the situation, as outlined:

We charge a 2% service fee for every credit card payment. The system is supposed to calculate the fee for us but it makes random mistakes. The other day, the system tells us we should charge the guest a \$5.00 fee for a \$100.00 Visa card transaction. This is obviously incorrect but we cannot find a solution around it. We do not like doing this but we have to charge what the system says and refund the difference if the guests ask. (Participant H)

Engaged Usage

Only one stance of engaged usage was noted during the interviews, as described by the duty manager (Participant A) below:

Our guests get a private vehicle to use during their stay with us. But there was no specific system function or procedures to record the vehicle number in the guest booking. So we used to have guests complaining that they have been given the wrong vehicle. Quite embarrassing for us.

The participant viewed the workflow block as an opportunity to improve the existing business process, as the manager continued:

One day, I found an unused system function called, "Drink vouchers" which the restaurant team does not use. I asked IT to load all our vehicle numbers there and customise the function like a dropdown box. It was a bit strange to select vehicles from a restaurant-dedicated function but it works.

While the innovative usage of the system extended the original intent of the system design, the unanticipated user of IS response to the system was reflected in the participant's excitement about innovative usage and benefits of the implementation, as she continued:

There are so many benefits. Consistency is one, the information is in the same place every time. Also, the function is so easy to use. We just select whatever vehicle is listed in the "Drink vouchers" dropdown box and done! We rarely get complaints about misallocating guest vehicles anymore.

Discussion

This case study aims to explore mandatory system usage behaviour exhibited by users when interacting with HIS. The case study findings highlighted the coexistence of compliant and unanticipated usage practices and the underlying reasons shaping the behaviours in a mandated HIS use context. As one of the ResortA managers, you have been tasked with reviewing the case study findings and submit an evaluation of the mandatory usage behaviours in following usage aspects:

Mandatory System Usage

1. How does mandatory HIS usage improve the case study resort's abilities to operate in an increasingly competitive environment?
2. It seems compliant behaviours are important in the hospitality industry and in this case. How much compliance is needed in this context? What are the benefits and costs of non-compliance?
3. Some participants prefer to comply while others adopt a more unconventional approach towards HIS usage. What role do knowledge, skills and attitudes play in shaping these usage behaviours within a mandatory context? What ethical and moral considerations should be evaluated?

Underlying Reasons

4. Defective system design is frequently criticised for causing numerous workflow blocks during actual system use. Is it the same in this case study?
5. Is organisational culture encouraging or limiting HIS usage behaviours? Is there a need for change? How can we encourage organisations to embrace change?

Recommendations and Action Plan

6. What recommendations would you make to improve the alignment between mandatory system usage and attainment of business and organisational goals? How can we apply the concepts of relationship marketing (Palmatier & Steinhoff, 2019) to balance the different system usage requirements of users and managers to foster long-term operational success for the business?
7. How can we transit employees from compliant, deviant or reluctant system users to become engaged users? What system training, usage guidelines and policies should be in place to maximise the benefits of HIS implementation in the hospitality industry?

Further Research Directions

8. What are some of the knowledge gaps in this case study? Are there other types of mandatory usage behaviour which hotel and resort employees should be aware of? What other criteria can be used to measure system usage success?
9. Workaround practices are recognised as a widespread but understudied phenomenon within the context of mandatory system usage (Malaurent & Avison, 2016). How can we encourage greater research interests towards the topic within the hospitality context?
10. System users may have diverse intentions when exhibiting different mandatory usage behaviours. How can motivational theories such as the expectancy theory (Vroom, 1964) and equity theory (Adams, 1965) be adapted to extend the taxonomy proposed by Bhattacharjee et al. (2018) to better understand the underlying motives of the enacted practices?
11. What other theoretical concepts can be applied to inform a more holistic approach in examining the mechanisms of mandatory usage behaviours?

Conclusion

The salient role of mandatory system usage is highlighted through a case study relating to HIS usage in a resort operating in Australia. The study indicates the coexistence of compliant and unanticipated usage practices devised to overcome the encountered workflow blocks. The inconsistent usage practices counter HIS implementation to optimise service performance for frontline staff members and the data needs of management to support decision making. Fostering mutual understanding between frontline staff and managerial requirements may facilitate devising system usage policies to satisfy the expectations and needs of both parties.

Mandatory system usage continues to receive limited attention in the hospitality discipline. Further research studies can be orientated to explore additional forms of HIS usage. Additionally, engaged, compliant, reluctant and deviant usage, although interrelated, could be treated as separate research topics, thus, allowing more in-depth investigation to be conducted. Through a better understanding, managers will become more proficient in formulating practical solutions to influence the mechanisms in changing user behaviours.

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Appendix 14.1

Additional Material

A: Proposed teaching plan

Session	Learning objectives	Case study questions*	Resources (Case study sections)	Delivery
1	1, 2	1–5	Introduction Literature review Research methods findings	Lecture and/or group activity
2	3	6–11	Findings Discussion Conclusions	Presentation

*Refer to Discussion

B: Group activity worksheet

Group	Related cases**	Managerial perspective	Desired solution	Action plan
1	A			
2	F, G			
3	D, H			
4	B, C, E			

**Refer to Findings, select one case only

Teaching Note

Case Summary

The salient role of mandatory system usage is highlighted through a case study based on a large resort operating in Australia. The resort deployed a fully integrated Hotel Information System (HIS) to streamline operational efficiency and facilitate data sharing between departments. Despite the resort's efforts to ensure mandatory HIS usage aligns with the attainment of business goals, users continue to enact their own practices when applying system features. This leads to constant knowledge transfer breakdown between departments, creating confusion and conflict during service performances and ultimately, hinder customer satisfaction. This case study aims to encourage students to reflect on the complexity of HIS usage behaviours and propose strategies to foster effective system use within the mandatory context.

Teaching and Learning Objectives

To achieve this research aim, three learning objectives have been proposed. The following section discusses the extent to which each objective has been achieved.

1. *Explore the dynamics of mandatory usage behaviour exhibited by users of HIS*

The case study findings depicted the coexistence of compliant and unanticipated usage practices within a mandatory context of HIS usage. However, compliant HIS usage yielded ineffectual performance outcome whereas unanticipated usage provided the necessary means for participants to achieve business targets and/or engender customer satisfaction. This suggests that mandatory system usage in the workplace is a dynamic process and unanticipated usage when effectively managed, can greatly contribute to gaining significant competitive advantage for the hotel and resort organisations (Bhattacharjee, Davis, Connolly, & Hikmet 2018).

2. *Evaluate the underlying reasons shaping different forms of mandatory HIS use behaviours*

The primary incentive for case study participants enacting different HIS usage practices is to overcome workflow blocks, impediments which disrupt user abilities in executing their work routine (Halbesleben, Wakefield, & Wakefield, 2008). Participants frequently criticise defective system design as the principal source of workflow block. However, the underlying problem appears to be the lack of managerial initiatives to address the system design constraints. Additionally, the existing business processes were predominately developed to facilitate managers in accomplishing administrative tasks such as, data capture and achieve performance and/or yield targets. Consequently, the operational needs of frontline staff are often neglected thus, allowing the same blocks to continue disrupting the daily workflow.

3. Provide recommendations for managers to optimise mandatory HIS usage behaviour

The case study illustrated the priorities of frontline staff members and managers towards system usage are often different. Frontline staff members focused on optimising service performance whereas managers require accurate and comprehensive data access to support decision making (Wilkin & Davern, 2012). This conflict is best resolved when managers attend to the criticisms of system design deterring operational efficiency. Equally, frontline staff members need to better understand their usage practices can have direct and indirect impacts to attaining organisational goals. The mutual understanding between frontline and managerial requirements may facilitate devising system usage policies to meet the expectations and needs of both parties.

Target Audience

This case study is suitable for postgraduate students in hospitality and tourism programs to better understand the complexity of HIS usage within a mandatory context. HIS usage is becoming increasingly mandatory for contemporary hotel and resort employees. The ability to manage mandatory system usage behaviours is a critical skill for all students to be developed throughout their professional career development.

To effectively contribute to the case study analysis, students should meet the following inclusion criteria: 1) a minimum of six months experience as a frontline staff member in a resort or hotel environment, 2) practical working knowledge of PMS, and 3) general understanding of resort or hotel operations.

Teaching Approach and Strategy

It is recommended that at least two class sessions be dedicated to this case study. The first session can start with an introduction lecture about the role of HIS usage within the mandatory context, workflow blocks and how they are overcome by system users. This can be followed by a general discussion of the case study background. Afterwards, students can be assigned into groups and evaluate the different case study examples from a managerial perspective. Students should be encouraged to assess how the devised practices affect data quality and managerial abilities to achieve performance and/or yield targets.

Having asked the students to read the case study and suggested readings in advance, the second class can be dedicated to each group presenting their recommendations and action plans for implementing the desired solutions in resolving each case study example. This may include modifying the business process or

deciding the current HIS usage manner is satisfactory. Afterwards, students should also be encouraged to propose future research directions for mandatory system usage within the hospitality context. In closing, the lecturer should remind students that mandatory system usage is dynamic and the desirable solution is the one which satisfies both frontline staff and managerial HIS usage requirements. Appendix A details the proposed teaching plan. Appendix B contains the worksheet which can be used to facilitate group activity.

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Suggested Readings

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Chapter 15

EHS Hotels: Neuroimaging or Self-Reports When Evaluating Tourism Advertising and Websites?



Luis-Alberto Casado-Aranda, Juan Sánchez-Fernández,
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Abstract The growth of e-commerce and new digital methods of payment has ushered in unexpected repercussions on many companies throughout the world.

The hotel chain EHS is an example. An increase in competition resulting from the digitalization of hotel bookings has led to a 5% reduction in its net sales in 2019. To address this situation, EHS's CEO charged the chain's marketing department with two tasks in 2020: develop an effective advertising campaign and design a website to foster online bookings. The current case study describes the characteristics of two very different marketing agencies engaged by the marketing department to analyze the hotel's advertising and web design: (i) Idith, a company basing its findings on self-reported data (questionnaires or surveys), and (ii) Neuronsy, a firm which resorts to neuroimaging and psychology (eye-tracking or functional magnetic resonance imaging). Based on this, students should advise the EHS marketing department as to which marketing agency to engage to assist in the design of the most trustworthy and effective advertising and website strategies. To help students achieve this, the case study discusses the advantages and drawbacks, the price, the utility, the methodology and the nature of data captured by the two methods, which all need to be considered for evaluating and deciding on which option and marketing consulting agency to use.

Keywords Hotel industry · Advertising campaign · Website · Marketing consulting agency · Consumer neuroscience · Self-reports

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Introduction

EHS is a Spanish chain that opened its first hotel in Valladolid (Spain) in 1978. The company has had a clear vision since its inception: offer quality service, continuous staff training and regular website maintenance. Forty years later, EHS is one of the world's top 30 hotels and one of Europe's most important chains with about 300 establishments and 80,000 rooms in 32 countries. Despite these figures, the highly competitive context and rapid digitalization of world online bookings (Casado-Aranda et al., 2019) has provoked a 5% decrease in net sales in 2019. The hotel's CEO, Allen Leir, has therefore sought to improve the chain's competitiveness by tasking the marketing department to develop an effective international advertising campaign and improve the design of the digital booking system.

Market Consultancies and the Business Dilemma of EHS' Marketing Department

John Feil and Clara Sesh (henceforth John and Clara), heads of EHS's marketing department, were tasked with (i) creating an advertising campaign intended to bolster preference, reward and recall, and (ii) apply changes to the chain's website to offer a more reliable experience during the online purchase process. After several meetings, the marketing supervisors decided to proceed as in previous projects. They designed several alternatives of advertisements and web layouts that meet the objectives established by their CEO prior to testing them among colleagues of the hotel chain. They then sent the alternatives that passed the screening of their workmates to two of the most competitive marketing consulting agencies.

Marketing consultancies are organizations that resort to data analytics traditionally gleaned from self-reports such as surveys or focus groups to assess the effectiveness of a website design, product, price or advertisement. These firms, based on objective and reliable results, help businesses identify the impressions that their products, websites or advertisements have on target audiences. In other words, they aid businesses to be successful in their marketing strategies (Hughes & Vafeas, 2019).

The traditional marketing consultancy chosen by John and Clara is Idith, a firm with a wide experience (more than 20 years) in developing worldwide distributed surveys, audience analyses, retail analytics and online key performance indicators. Their findings have led to an improvement in sales, customization, segmentation and analysis of the effectiveness of elements of mix marketing (e.g., price, product, promotion). Despite the trust conferred to Idith, its most recent task for the hotel chain was not entirely successful and the advertising campaign did not achieve the expected results. This led John and Clara to search for a new agency offering more innovative services adapted to the objectives established by the chain's CEO.

A trend that EHS marketing managers have observed in the marketing news, blogs and international consultant communications is the surge of neuroscience in

the fields of marketing and tourism. Unlike traditional self-reports (e.g., questionnaires, focus groups or audience analyses), consumer neuroscience resorts to psychology, physiology or neuroimaging to gain a more objective portrait of the non-conscious mechanisms of decision-making that underlie consumption (Pan and Zhang, 2016; Solnais et al., 2013). In practice, a consumer neuroscientific task consists of measuring the subject's psychological activity in response to particular marketing stimuli (e.g., advertising and web design) by means of neuroimaging techniques and/or other types of psychophysiological methods with the intent to identify their corresponding brain mechanisms (Ramsøy et al., 2019). John and Clara therefore asked for a quote from Neuronsy, the most competitive consumer neuroscience marketing consultant company in Spain.

- John asks Clara: “What are the advantages of outsourcing analyses of the effectiveness of advertising and web design to consumer neuroscience agencies? Does this method offer benefits beyond those obtained from the traditional self-reports provided by Idith?”
- Clara responds: “Since the sum granted by the CEO for the project is €85,000, we have to select the most convenient and economical option.” “Is it worthwhile investing so much money in agencies resorting to neuroimaging and self-reports?”
- John asks Clara: “Which method is more suited and reliable in designing effective advertising and website layouts?”

By considering the advantages and drawbacks, the price, the utility, the methods and the nature of information offered by each type of consulting agency, the students should advise the EHS marketing department as to which consulting agency to outsource to design the most trustworthy and effective advertising and website layout. To guide the EHS marketing directors, the students must therefore analyze the services and methods offered by each marketing agency and decide whether to engage Idith, Neuronsy or a combination of the two.

The following sections further discuss the case study. Their aim is to help students (i) identify the variety of services and functions carried out by a marketing agency, (ii) evaluate the advantages and disadvantages of information offered by traditional methods and recently emerging neuroimaging marketing research techniques, and (iii) realize how self-report and neuroimaging data can serve managerial marketing purposes.

Theoretical Background: Questionnaires and Consumer Neuroscience in Market Research

Marketing agencies have traditionally turned to the self-reports such as surveys, interviews and focus groups to evaluate, understand and predict the effectiveness of advertisements and website designs (Batra et al., 2000; Plassmann et al., 2012).

These methods capture conscious consumer expressions, feelings and verbal language-based responses. These replies are based on recall, attitude or degree of trust triggered by specific marketing stimuli stemming from website layout and advertising. In order to extrapolate the results of the questionnaires to wider sectors of the population, marketing agencies make use of sample population ranging from 1,000 to 4,000 participants. At this point, it is vital to note that these agencies usually reflect carefully on the sum of compensation for participants since this amount can have an effect on the care given to their responses. Greater compensation in fact leads to higher quality responses.

Most marketing agencies specifically develop questionnaires using Likert scales to measure consumer feelings. An effective Likert scale includes a series of specific items or questions and ideally a choice between 5 to 7 balanced responses. As noted by Venkatraman et al. (2015), these questionnaires usually enquire as to:

- *Recall*: refers to the action or faculty of recollecting something learned or experienced during the visualization of marketing stimuli.
- *Attitude* is a relatively enduring evaluation of a marketing stimuli ranging from negative to positive. Attitudes offer overall evaluations of target objects and are often assumed to derive from specific beliefs, emotions, and past behaviors associated with specific marketing elements.
- *Trust*: refers to consumer (the trustor) willingness to be vulnerable to a product or person (the trustee) on the basis that the trustee will act in accordance with expectations.
- *Intention*: refers to a prior conscious decision to carry out a purchase.
- *Preference*: refers to the level of likability of a product, advertising or website.

While traditional self-report methods are common to marketing agencies due to their ease of use, accessibility and low cost, they nonetheless suffer from the following biases (Venkatraman et al., 2012; Zaltman, 2003):

- They are susceptible to social desirability and subjectivity, that is, respondents may tend to answer questions in a manner that will be viewed favorably by others or based on their own experience.
- They do not capture lower order emotions such as cognitive load, fear, and anger.
- They can include sensitive issues such as race, religion, culture.
- They may not be able to capture unconscious cognitive and affective processes during exposure to advertisements or websites.
- They do not facilitate a continuous collection of data in real time.
- They may lead to confusion and loss of information in the case of translating the queries from one language to another.

The deficiencies of traditional market self-reports in measuring consumer behavior have led to a search for more precise **techniques from the disciplines of neuroscience and psychology**. The combination of methods from these disciplines and marketing has led to the development of a new sub-discipline identified as consumer neuroscience which applies techniques that overcome most of the limitations of self-reports (Khushaba et al., 2013) (Table 15.1). This interdisciplinary arena is

Table 15.1 Differences between traditional self-report (i.e., Idith Consultants) and neuroimaging techniques (i.e., Neurosy Consultants) tools

Self-reports	Consumer neuroscience
Subjective	Objective
Social desirability bias	Avoid social desirability bias
Conscious processing	Unconscious processing
Delayed measurement	Second-to-second measurement
No sensitive topics	Recommended for sensitive topics
Dependent on language	Not dependent on language
Require recall	Does not require recall
Sample size: 1000–4000	Sample size: 30–40
Natural environment	Artificial environment
Low cost	High cost
Relatively easy to analyze	Labor-intensive data extraction and analysis
Report recall, attitude, trust, intention and preference	Records moment-by-moment unconscious attention, attitude, trust, affect, arousal and preference

defined as “... the study of the neural conditions and processes that underlie consumption, their psychological meaning, and their behavioral consequences” (Hubert & Kenning 2008).

Psychophysiology, the branch that explores the physiological bases (i.e., body reactions) of these processes (i.e., brain states) to explore automatic customer responses, is not new. It has since the 1980s applied electrocardiography to measure electrical activity of the heart through external skin electrodes and eye-tracking to measure eye movement and changes in pupil dilation and contraction, direct indications of levels of attention in marketing-related experiments (Harris et al., 2018; Peacock et al., 2011; Russell et al., 2017).

It was shortly thereafter that marketers, psychologists and neuroscientists set out to examine the potential biological foundations behind consumer decisions of non-invasive human brain imaging techniques such as functional magnetic resonance imaging (fMRI). This led to the field of *consumer neuroscience* or *neuromarketing* which benefits from neuroscientific methods and findings to delve into the (neuro-) physiological fundamentals of consumer behavior. The downside of these techniques is that they are expensive, difficult to access, carried out in artificial environments, require labor-intensive data extraction and analysis, and are challenging at the level of ethical responsibility (Bastiaansen et al., 2018). These new tools nonetheless offer data that are complementary to those of self-reports and can serve to advance the understanding of consumer behavior. Their advantages are the following:

- their ability to identify psychological responses among consumers based on objective physiological data as participants cannot or can only slightly influence the results. Neuroimaging techniques record automatic responses such as heart rate, levels of sweating, and brain responses. Although participants can control these reactions in specific situations, responses are generally involuntary, automatic and unconscious and hence devoid of undesired subjective biases.

- their ability to simultaneously track consumer responses while processing the stimuli, thus eliminating the risk of recall bias.
- their ability to measure marketing media effects that individuals are either unable, uncomfortable, or unwilling to truthfully report.
- their need of only 30–40 participants for the results to be reproducible and extrapolated to the rest of the population.
- their capability to capture hidden processes such as arousal (state of excitement or energy expenditure linked to an emotional marketing stimuli) and attention (a state in which cognitive resources are focused on certain aspects of the environment rather than others).
- their non-intrusive research techniques provoke no physical harm.

Special care must nonetheless be applied to participant selection. All experiments must apply standard neuroimaging exclusion criteria such as claustrophobia, pregnancy and metal implants. Furthermore, access to private medical information and an ethical commitment consent form must be obtained from each participant. Studies of this type must likewise be approved by a local ethical committee following the Protocol of the World Medical Association Declaration of Helsinki (2013). These phases guarantee the participant with security, trust and privacy.

Two Marketing Consultancies: Idith and Neuronsy

The EHS marketing department team received offers from two consultant firms to analyze the effectiveness of their spots and web environments. The first, Idith, is specialized in surveys on preference, recall, attitudes and trust toward spots and web environments. The second, Neuronsy, is hailed as the most competitive agency applying consumer neuroscience tools to evaluate the psychological origin of attitudes and preferences toward spots and web designs. Despite the similarity of their quotes (close to the €85,000 granted by the CEO), each offers techniques that vary greatly as to sample size, nature of the data and type of method. An analysis of each quote will lead the marketing team to choose the most appropriate.

The Idith Quote

Traditional marketing consultant services such as Idith that work for EHS usually offer three types of services:

- **Branding:** this type of consulting is based on in-depth analyses of the situation of the brand. It applies co-creative methods and research to define the Why of the brand?, identify its current and future challenges and opportunities, its values and the needs of its consumers. The final result is usually reflected in a Unique Selling Proposition (USP) that identifies the positioning and differentiation of

the Brand and a complete Briefing whose objective is to guide and inspire future brand actions.

- **SEO/SEM:** application of modern Search Engine Optimization (SEO) services, backed by the best digital practices, increases the traffic and rankings of vetted keywords and long-tail phrases that drive business to the site. SEM services are a reliable and cost-effective way to generate web traffic and sales revenue and encompass a wide range of online strategies such as PPC (Pay-Per-Click) and social media marketing.
- **Market research:** analyses of the effectiveness of marketing proposals of a specific firm (e.g., advertising, website, product, placement) provide firms with objective and precise information to come to accurate and successful marketing decisions. Idith offers quantitative and qualitative data advice to firms as to their marketing proposals. The aim of quantitative data is to understand the phenomena (e.g., the effectiveness of advertising) through the collection of self-report numerical data (e.g., questionnaires or surveys) which identify preferences, attitudes, recall and trust conferred to marketing stimuli by a particular group or society. Qualitative information, in turn, serves to identify the underlying motives, opinions and motivations.

As the objective of the EHS marketing department is to evaluate the effectiveness of their advertisements and web design, the most appropriate type of service to outsource is that linked to market research. Its heads are specifically interested in targeted questionnaires based on the characteristics of the EHS audience with the aim to assess (i) the preferences, recall and attitudes toward different types of messages, and (ii) the degree of trust conferred by various web environments. The break-down of the budget offered by Idith for each of the objectives is listed in Table 15.2.

The Neuronsy Quote

Neuronsy is an international marketing consultancy specialized applying consumer neuroscience methods to market research. To counter the limitations of traditional self-reported tools, Neuronsy resorts both to psychophysiological techniques such as heart rate or eye-tracking and neuroimaging such as functional magnetic resonance imaging and electroencephalography. Together, these techniques serve as

Table 15.2 Overview of the Idith quote

Marketing proposal to evaluate	Variable of interest	Number of respondents	Price	Total (€)
Advertising	Preference	2000	€10 / questionnaire	20,000
	Recall	2000		20,000
	Attitude	2000		20,000
Website layout	Trust	2500		25,000
				85,000

complements to traditional methods as they capture automatic and imperceptible reactions among consumers. Neuronsy therefore records brain activations of participants while they view texts, images or web environments and uses them as direct measurements of the recall, trust, value, or reward. The aim of the marketing supervisors by asking Neuronsy for a quote is to highlight the added value of neuroimaging techniques in market research (as compared to self-reports). This information is vital in identifying the most suitable and trustworthy method (and therefore, the better type of marketing consultancy) in the design of effective advertising and website layouts. As listed in Table 15.3, the total sum of the Neuronsy quote is €75,000.


Business Problems and Questions

With the aim of improving its competitive position and increase its net sales for 2020, the EHS marketing department was tasked by its CEO to design an effective international advertising campaign to raise the level of trust conveyed by their website. Clara and John, supervisors of the marketing department, had to decide whether to outsource the analysis of the advertising and website to a traditional marketing consultancy (Idith) or take a new path and employ the services of an innovative agency (Neuronsy) specialized in neuroimaging. Despite the fact that each of these marketing consultancies offer similar sums, the differences in the nature of their analyses and techniques could affect the success of the strategies. In sum, the situation presents the supervisors with three potential scenarios:

SCENARIO 1: Resort Exclusively to Self-Report Methods


The heads of the marketing department can maintain their trust in Idith and their method of self-reports (surveys) for the task. If so, 8,500 respondents will respond to questionnaires entailing a cost of €85,000. Moreover, the findings as to the preferences, attitudes or trust toward the marketing stimuli will be based on the opinions of the participants. These results may be achieved relatively quickly and can be extrapolated to an audience similar to that targeted by the EHS. Thought must be given to the sum of participant compensation as a low reward could influence the accuracy and seriousness of the responses. The supervisors must nonetheless bear in mind that these responses are highly susceptible to subjectivity, social desirability and do not capture inner (subconscious) emotions. These limitations, indeed, may in fact explain the unsuccessful results of the previous engagement by Idith.

Table 15.3 Overview of the quote of the four consumer techniques offered by Neuronsy

Consumer neuroscience tool	Measurements	Consumer behavior outcomes	Advantages	Drawbacks	Price
<p>fMRI</p>  <p>Source: Google images (19 June 2020) at https://n9.cj/w1kp</p>	<p>Detect changes in oxygenation levels of the blood and visualize the results through brain images that serve to identify differences of activity between brain regions.</p>	<p>Preference Reward Recall Trust</p>	<p>Non-invasive High spacial resolution Covers most of the deeper brain structures</p>	<p>Low temporal resolution High cost: €500 / participant High incentives for participants</p>	<p>Advertising: 50 participants * €500/ participant = €25,000 Web design: 50 participants * €500/ participant = €25,000</p>
<p>EEG</p>  <p>Source: Pixabay (19 June 2020) at https://n9.cj/elno</p>	<p>Measurements of the frequency of electrical currents in the brain and Changes in voltage via electrodes placed on the scalp</p>	<p>Attention Affect</p>	<p>Non-invasive High temporal resolution</p>	<p>Low spatial resolution No measurements of the deeper brain areas</p>	<p>Advertising: 50 participants * €150/participant = €7500 Web design: 50 participants * €150/participant = €7500</p>

(continued)

Table 15.3 (continued)

Consumer neuroscience tool	Measurements	Consumer behavior outcomes	Advantages	Drawbacks	Price
<p>Heart rate</p>  <p>Source: Google Images (19 June 2020) at https://m9.cl/i7b2b</p>	<p>Electrical activity of the heart using external skin electrodes</p>	<p>Attention Arousal</p>	<p>Non-invasive</p>	<p>No measurements of recall, reward or trust</p>	<p>Advertising: 50 participants * €50/participant = €2500</p> <p>Web design: 50 participants * €50/participant = €2500</p>
<p>Eye-tracking</p>  <p>Source: Google Images (19 June 2020) at https://m9.cl/udo4</p>	<p>A camera and infrared technology to monitor eye movements in terms of speed and duration of attention</p>	<p>Attention</p>	<p>Non-invasive</p>	<p>No measurements of recall, reward or trust</p>	<p>Advertising: 50 participants * €50/participant = €2500</p> <p>Web design: 50 participants * €50/participant = €2500</p>

SCENARIO 2: Resort Exclusively to Consumer Neuroscience Methods

The second option is that of engaging only the services of Neuronsy. This implies that the marketing supervisors rely exclusively on neuroimaging techniques and their greater ability (even more so than traditional self-reports) to evaluate the unconscious and automatic processes that underlie attitudes toward advertising and website proposals. This alternative examines the psychological processes of fewer participants (400 vs. 8,500) at a similar cost (€75,000 vs. €85,000) and encompasses more techniques (4 vs. 1). The fMRI method specifically reveals neural preferences, reward and recall, as well as the level of trust conveyed by the website. EEG and heart rate are useful in assessing the attention and arousal of marketing proposals, whereas eye-tracking allows capturing attentional processes. However, the artificial environment of this technique, its laborintensive data extraction and analysis, as well as the challenges it presents in interpreting the results, are significant drawbacks.

SCENARIO 3: A Combination of Self-Report and Consumer Neuroscience Methods

There is a third, more judicious alternative, consisting of engaging the services of each of the consultancies. This is broken down as follows:

- Engage the fMRI services of Neuronsy to specifically capture the three outcomes required by marketing department to assess the problem of advertising effectiveness (recall, reward and preference) and evaluate the level of trust triggered by the different website layouts. The cost in this case is €50,000.
- Engage the services of Idith for the website (€25,000) to compare and triangulate the findings from neuroimaging (the unconscious origin of trust) with self-reported opinions (conscious and verbal responses of trust).

The third alternative (€75,000) not only falls within the sum allocated by the hotel's CEO, but maintains a working relationship with Idith while simultaneously exploring and evaluating the findings of the innovative psychology and neuroscience techniques offered by Neuronsy. The complementary and diverse information offered by each of these companies will certainly lead to designing an efficient website and advertising environment for the following reasons:

- Firstly, the intention of combining the two methods is to avoid the negative effects of adopting a single technique (Venkatraman et al., 2015; Ramsøy et al., 2019). The artificial atmosphere of the neuroimaging experiment and complexity of interpreting the ensuing data can be compensated by the more real, low-cost and easily interpreted environment of self-reports.

- Secondly, market research studies corroborate that a combination of techniques is crucial to determine whether conscious self-report responses have an origin in cognitive processes. In other words, a combination of both neuroimaging and self-reports techniques presumably best serves to identify the psychological origin of conscious responses.
- Thirdly, the combination of the two should yield more diverse information as to consumers. While traditional self-report tools answer the question “to what extent a website can provoke better performance among consumers,” neuroscientific techniques respond to the “why” and “how” triggered by the websites. In other words, neuroimaging facilitates exploring the neural effects of websites (e.g., reward, self-relevance, aversion).

To guide the EHS marketing directors in finding the best market research tool, the students must therefore analyze the services and methods offered by each marketing agency and decide whether to engage Idith, Neuronsy or a combination of the two. Specifically, students are asked to think and offer responses to the following questions:

- Which strategies did the CEO of the EHS hotel chain recommended to the marketing department to come out of the financial crisis?
- What are the main functions of a marketing consultancy? How can a marketing consultancy help increase hotel sales?
- Explain the main services offered by traditional self-report and innovative consumer neuroscience consultancies? How does the method advocated by each of the consultancies influence the marketing initiative?
- Describe the advantages and drawbacks of the self-report and neuroimaging methods applied by the Idith and Neuronsy.
- Which is the better scenario for EHS? Provide three reasons to back up your response.
- Search for five marketing consultancies that resort to neuroimaging or psychological tools. Do they use different neuroimaging methods? If so, describe them.

Conclusions

The profits of the hotel chain EHS diminished in 2019 due to strong competition from the rapid digitization and modernization of worldwide booking websites. To alter this trend and increase sales in 2020, the chain’s marketing department was charged with identifying a marketing consultancy to analyze the effectiveness of the hotel’s communication campaign and booking website.

Clara and John, heads of the marketing department, concur on the need to request quotes from two marketing agencies applying different techniques. The first, Idith, uses self-reported data (questionnaires or surveys), whereas the second, Neuronsy, applies neuroimaging and psychology tools. Although the sums of the quotes are similar, Idith requires a large sample population. Their results are likewise partially

subjective and can be affected by social desirability. On the contrary, the data offered by Neuronsy, although gleaned from an artificial environment and based on a smaller sample population, is highly objective and captures automatic reactions.

By shedding light on the main advantages, drawbacks, prices and type of information offered by each method, the current case study suggests the need of combining self-report and neuroimaging techniques. This alternative may allow the hotel chain to maintain a working relationship with its traditional client Idith (self-reported data) while simultaneously benefitting from the innovative psychology and neuroscience techniques of Neuronsy. The complementarity of information provided by each method should lead the EHS marketing directors arrive at more objective and accurate decisions.

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Teaching Note

Case Summary

The emergence of e-commerce and new payment methods has led to unexpected consequences for many companies around the world. The (fictitious) hotel firm EHS is an example. Digitalization and the ever-growing competitive environment provoked a 5% reduction in the hotel's net sales of 2019. To address the situation, its CEO charged the chain's marketing department with two tasks for 2020: develop an effective advertising campaign and design a trustworthy website for online booking. The current case study describes the advantages, disadvantages and characteristics of two very different marketing agencies contacted by the marketing department: (i) Idith applying self-reports (questionnaires and surveys), and (ii) Neuronsy, specializing in neuroimaging and psychology (eye-tracking and functional magnetic resonance imaging).

Teaching and Learning Objectives

The main objective of the current case study is for students to understand the differences between carrying out market research based on traditional self-reported and neuroimaging techniques in order to propose strategies and ways to apply these methods according to business aims.

After completing and discussing the case study, students will be in a position to:

1. ***Identify the strategies a marketing department must develop to contribute to the success of their company.*** The study specifically familiarizes the student with two potential alternatives: (i) design an advertising campaign to attain higher levels of preference, reward and recall, and (ii) modify a website to evoke a more reliable experience during the online purchase process.
2. ***Identify the functions of marketing consultancies as well as the variety of services and data that they offer.***
 - 2.1. Functions carried out by marketing agencies applying self-reports: branding services, SEO/SEM strategies as well as quantitative (e.g., surveys) and qualitative (e.g., focus groups) marketing research.
 - 2.2. Functions carried out by marketing agencies resorting to consumer neuroscience tools: assessing of unconscious reactions of consumers through fMRI, EEG, heart rate and eye-tracking.
3. ***Learn to evaluate the differences, advantages and drawbacks of traditional self-reports versus neuroimaging.***
 - 3.1. The case study raises questions as to the legitimacy of traditional self-report methods in light of market pressures and technology designed to capture short term data.
 - 3.2. The study also identifies marketing agencies specialized in different market research techniques and hence proves how the role of method influences the initiatives advocated by marketing agencies.
 - 3.3. The study offers the student a clear overview of the nature, complexity, sample size requirements, utility and consumer variables serving both self-report and neuroimaging analyses. It aims for the student to see the need to resort to complementary data offered by the two different methods.
4. ***Understand the utility of self-reported and neuroimaging data for managerial marketing purposes.***

Target Audience

The current case study can serve undergraduates and graduates (master's degree) in the fields of hospitality, business, management, tourism, marketing and psychology as it pertains to diverse strategies implemented by social and business institutions such as hotels, recreation sites and tourist destinations. The intention is to develop an understanding of the diverse methods applied by marketing consultancies, a topic suitable for undergraduates who may encounter market research tasks in the future. Issues emerging from traditional self-reports as well as the understanding of the added value of recent neuroimaging techniques in business environments are equally topics suitable for a master's degree class.

Teaching Approach

The class structure and discussion should be as follows:

- (i) The teacher creates groups of 4–5 students and assigns to each one of the following set of questions:
 - Which strategies did the CEO of the EHS hotel chain recommended to the marketing department to come out of the financial crisis?
 - What are the main functions of a marketing consultancy? How can a marketing consultancy help increase hotel sales?
 - Explain the main services offered by traditional self-report and innovative consumer neuroscience consultancies? How does the method influence the marketing initiative advocated by each of the consultancies?
 - Describe the advantages and drawbacks of the self-report and neuroimaging methods applied by Idith and Neuronsy.
 - Which is the better scenario for EHS? Provide three reasons to back up your response.
 - Search for five marketing consultancies that resort to neuroimaging or psychological tools. Do they use different neuroimaging methods? If so, describe them.
- (ii) The teacher then defines the length of the teamwork (about 3 contact hours).
- (iii) The academic staff then instructs the students to get to know the other members of their group. If they have not previously met, they should spend time together and exchange information as to their backgrounds, interests and contact details.
- (iv) This is to be followed by a general group discussion along the lines of the questions cited above as well as the challenges of neuroimaging.
- (v) Then, the teacher proposes a role game in which two of the team members delve deeper into the advantages of consumer neuroscience and self-reports for businesses and consumers while the other two comment on their potential drawbacks.
- (vi) Having analyzed the great potential of consumer neuroscience and self-reports, each group member then stands and offers reasons and observations supporting the usefulness of implementing consumer neuroscience.
- (vii) The case study evaluation criteria resorts to a system of anonymous and repeated peer rating. Students rate the qualities of others anonymously throughout the study. These include communication skills, ability to cooperate and listen to the concerns of others, fulfill assignments and foster team cohesion. Although the students then view the ratings, only those of aggregate nature will serve to foster discussion as to team functionality.
- (viii) Finally, the teacher leads a general discussion and offers tips for the academic staff to bear in mind.

Guidelines for Boosting Student Discussion

One of the main objectives of the current case study is for students to realize the importance of complementing traditional self-report methods with innovative neuroimaging techniques when carrying out market research. This combination leads to a diversity of information when evaluating the same marketing stimuli (website layout), crucial to achieve a more accurate and objective investment.

Some example questions and responses:

- *What strategies are recommended to the marketing department by the CEO to improve the financial situation of the EHS hotel group?*

John and Clara, the supervisors of EHS's marketing department, are tasked with (i) **creating an advertising campaign** to raise the level of preference, reward and recall, and (ii) apply **changes to the EHS website** to foster a reliable experience during the online purchase process. After several meetings, the marketing supervisors proceeded as in previous cases. This consisted of first designing several advertisements and web layouts to meet the task's objectives. These were then initially tested by colleagues in the company before sending the screened examples to the most competitive marketing consulting agencies.

- *What are the main functions of a marketing consultancy? How can a marketing consultancy help increase hotel bookings?*

Marketing consultancies are organizations that analyze data gleaned through self-reports (surveys or focus groups) to assess the effectiveness of a website design, product, price or advertisement. Marketing consultancies, based on objective and reliable results, assist companies in determining the attitude, intention, confidence and recall of certain products, websites or advertisements. They can even predict their degree of acceptance among a target population. In other words, they show the way to be successful in marketing strategies.

- *Describe the advantages and drawbacks of the self-report and neuroimaging techniques used by the Idith and Neuronsy consultancies.*

A summary of advantages and drawbacks of each technique is provided in Table 15.4.

- *How does the method influence the marketing initiative advocated by each of the marketing consultancies?*

The different methods applied by the two agencies allow them to offer a variety of services and means of data analysis to the EHS marketing department. The firm Idith, on the one hand, develops branding analyses, surveys, interviews and SEO/SEM strategies yielding information based on conscious responses from participants along the lines of trust, attitudes and recall when viewing marketing stimuli. The firm Neuronsy, on the other hand, applies consumer methods of neuroscience and offers diverse neuroimaging tools to explore the psychological origins of a greater number of consumer variables such as attention, affection, trust, recall and arousal.

Table 15.4 Advantages associated with self-reports and consumer neuroscience tools of market research

Self-reports		Consumer neuroscience	
Advantages	Drawbacks	Advantages	Drawbacks
Natural environment	Subjective	Objective	Artificial environment
Large sample population	Social desirability bias	Avoid social desirability bias	Small sample population
Easy accessibility	Conscious processing	Unconscious processing	Difficult accessibility
Objective interpretation	Delayed measurement	Second-to-second measurements	Challenging to interpret results
Ethically responsible	No sensitive topics	Recommended for sensitive topics	Hard ethical standards to follow
Assesses selfreported recall, attitude, trust, intentions and preferences	Dependent on language	Not dependent on language	Labor-intensive data extraction
	Require recall	Do not require recall	High cost
		Record psychological origin of attention, attitude, trust, affection, arousal and preference	

- Which scenario should the EHS adopt? Provide three reasons to back up your response.

Considering the previous advantages, drawbacks, prices and outcomes from each of the methods, the current case study advises resorting to a combination of self-report and neuroimaging data. This alternative not only avoids breaking the professional relationship with Idith (and benefitting from its self-reported data), but includes innovative methods stemming from psychology and neuroscience applied to advertising and website strategies. The complementary and diverse information offered by each of the two methods can thus lead to designing efficient website and advertising environments.

Additional Reading

Consumer Neuroscience vs. Self-reports: Definitions, Advantages and Drawbacks

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Application of Consumer Neuroscience to Marketing Domains

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Part V

Strategy and Marketing

Chapter 16 by Rachel Dodds and Michael Sadowski is a case study of the tour operator Intrepid Travel. Drawing on the company's experiences in Nepal, the chapter evaluates a strategy for increasing sales and revenue of trips to Turkey. It considers the organisational values, sustainability, stakeholders and risk.

In **Chapter 17**, Rajka Presbury and Winne Ho use strategic management theories and concepts in a case study of the Sydney Conference and Training Centre in Australia. In a changing business environment, students are asked to put forward viable strategies for the future development of this business events venue.

Hotel marketing consortia (HMC) are the focus of **Chapter 18** by Sofia Almeida, Thanasis Spyriadis, Carlos Costa, José Manuel Simões and Ana Cláudia Campos. The HMC business model is examined in the context of 4 and 5 star hotels in Portugal, including the strategic decisions facing hotel managers when considering these strategic partnerships.

Assessment management and maximising financial performance are the focus of **Chapter 19** by Gabor Forgac. Students will analyse hotel and competitor data, including key performance indicators, to make data-driven recommendations regarding the fictional Hogtown Hotel in Canada.

Chapter 20 by Tugba Gurcaylilar-Yenidogan and Burcu Kantarcioglu analyses failure of AtlasGlobal, the Turkish airline that ceased operations in 2020. The strategic analysis of the airline's actions over the company's lifecycle phases includes considering the link between corporate and business strategy.

The airline industry is also the focus of the final chapter in Part V, **Chapter 21**, where Bing Chan and Sik Kwan Tai investigate the role of strategic stakeholder groups in the air transport and tourism industries. Students are required to apply strategic management concepts to propose supply-side options for the post-COVID aviation sector.

Chapter 16

KASA Turkey: Solving a Strategy and Sales Issue While Keeping Core Values: An Intrepid Travel CASE STUDY



Rachel Dodds and Michael Sadowski

Abstract Intrepid Travel, a tour operator, faced deliberation of how to deal with decreasing numbers and revenue to Turkey; one of the company's largest destinations. In the past, a successful public relations campaign brought people back to Nepal after the 2015 earthquake and this case debates whether a similar strategy would also work in Turkey. This case outlines the issues surrounding the two destinations as well as the implications that the company faces in a world of increasing risk to business. This case explores the value of sustainability as well as Stakeholder Theory and Rokeach's Value theory. Teaching objectives include weighing the values of environmental versus political issues in business as well as addressing cultural bias and personal values in decision making.

Keywords Tour operators · Culture · Strategy · Marketing · Public relations · Sustainability · Stakeholders

Introduction

Michael Brown sat back in his chair and scrunched his eyes closed and rubbed them. He took a deep breath then opened his eyes and looked again at the forecasted sales figures. Turkey, one of Intrepid Travel's top five destinations for over a decade - and also the bread and butter of the whole company - had been in negative sales figures. Brown was Intrepid's Commercial Director and he had been worried about the tour company for a number of reasons. Sales has been down which meant profits were down (see Appendix 16.1). This was not the only issue for Intrepid - the

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company had long prided itself on sustainability and being true to their values. True sustainability in Intrepid Travel's view was about providing long term local jobs, giving back to communities and ensuring their travelers had a truly authentic and lasting experience when on tour – as well as being a profitable company. Brown knew that the company was set to be the world's largest adventure company and if he was able to navigate a solution to this problem – he may be promoted to VP Global Affairs – a promotion that would be a once in a lifetime opportunity. Since the situation in Syria had spiraled out of control and terrorist attacks in that part of the world had sky rocked, no one wanted to go to Turkey anymore (see Appendix 16.2). Michael had picked up the phone and conferenced in his General Manager of PR, Jessica and Anabel, his General Manager of the Destination Management Company (DMC). "It's Turkey" he had said,

"Should we try what we did in Nepal?"

This case explores the value of sustainability through the lens of Stakeholder Theory as well as Rokeach's Value theory which is applicable to both marketing and strategy courses. The case is based on fact, however, names and characters are fictional for privacy purposes.

Background of the Situation

In April and May, 2015, two massive earthquakes shook Nepal. More than 9000 local people were killed and tens of thousands were injured. For a country whose main livelihood depended on tourism, especially adventure tourism, this catastrophe had been devastating. Nearly 900,000 houses, 900 health facilities and over 8300 schools had been damaged.

Often after a catastrophe, the most important thing is to get travellers going back to the destination as quickly as possible. Tour companies, however, often cancelled tours due to safety concerns of tourists (for example this happened to many areas in Thailand after the Tsunami in 2004).

For Intrepid Travel, cancellations had not been the strategy as the company was cognisant that sustainable tourism had to take all stakeholders into considerations and that value was not just being a good trip for their consumers. Within 24 hours of the quake, the founder and CEO of Intrepid had decided to start a campaign to donate 100% of their profits from future trips in Nepal to the country to help rebuild and help those most in need. They had over 100 staff in the destination and many clients on trips in location when the quake shook. Nepal wasn't a large market destination, however, they had more than 26 years' experience in the country and Intrepid had felt that they must be true to their values and practice what they preach by being a responsible tour company. As a responsible company, they felt they couldn't pull out of the country when it was in need... the country had needed money and tourism was the key to providing this income. Intrepid believed when

the going got tough, they needed to be committed to supporting the destination. The initiative had been called *Namaste Nepal* (see Appendix 16.3).

During the rest of 2015, \$750,000 was donated to Nepal. Jobs were kept and Nepal gained popularity amongst the tour company's travellers. Trip review comments had increased—travellers were happy to know they had helped and Intrepid had facilitated it. Although it wasn't planned, sales had increased 97% to Nepal after the campaign and the company owed this success to Intrepid's commitment of their donations as well as favourable media attention. Globally, Intrepid garnered hundreds of media mentions in some of the biggest news outlets in the world (see Appendix 16.4). They had quickly established themselves as the leader in sustainable tourism in Nepal and passengers returned to pre-earthquake levels in just over a year.

Although arrival numbers are not the only figure to determine tourism, it is one of the most used. Yield (the amount a visitor spends) is a better indicator and one that Intrepid prided itself on. Approximately 85% of the money from an Intrepid trip stayed in the country – meaning more benefits to the local economy. It was these kinds of values that the company was proud to promote.

The company also valued their employees and the insight that they brought to the company. Jessica, the General Manager of Communications/PR had been instrumental in the Nepal campaign. It was her original idea and her quick response and good connections with media that ensured they had received great press coverage. Michael had known that if Jessica was on board, they were sure to get media attention. The issue was that Jessica was Muslim and Michael hadn't been sure if she would be more sensitive to the Turkey campaign as there were so many political undercurrents.

Anabel, the General Manager of the DMC hadn't risen to the top by accident. She was savvy and clever and Brown had poached her from their key competitor just last year. She had insider knowledge of how the industry worked and had started her career as a guide in Turkey. She was also born in Turkey but had British parents.

It was now 2018 and the question was: would the same sort of initiative that had worked in Nepal benefit Turkey? This was not an environmental issue, rather a highly political issue with complex narratives around war, terrorism and safety. Turkey was dealing with significant incidents of terror that, at times, were targeted at foreign travelers in airports and public spaces. One of Intrepid Travel's values was safety - always put passenger safety first. How could the company confidently promote tourism to a country with so much instability? What if an incident occurred and Intrepid was seen as the company that had actively encouraging people to visit?

Looking at the opposite side of the issue, if Intrepid stopped promoting Turkey – would the company be able to support their local Istanbul office and staff of 30 people? Which other stakeholders would be affected? Which destinations offered similar experiences that they could potentially promote and push in the interim if they decided to pull out of Turkey?

Company Background: Intrepid Travel

The Intrepid Group was a privately-owned company specializing in small group adventure tours. It was comprised of eight different travel-related companies, but for the purposes of this case the focus was on the primary company sold in North America: Intrepid Travel. All Intrepid Group brands were run and operated as separate entities, but sustainability, local and responsible travel practices were the core of each of the brands.

Intrepid Travel was for travellers of all ages, but attracted those with a common mindset – those curious about the world and who wanted to come home with more than just photos. The maximum group size on Intrepid tours ranged from 12–16, slightly larger on trips in Africa. Intrepid Travel was also the largest Intrepid Group brand, and offered over 1000 itineraries across seven continents. Intrepid Travel also offered three levels of tours: Basix, Original and Comfort. They also offered different travel themes which included family, food, sailing, active, etc. Accommodations were typically 3.5 stars locally and offered clean, comfortable and centrally located rooms. The average age of travelers was 37.

Intrepid was also a socially responsible company. They were the largest carbon neutral company in the world and had offset over 130,000 tons of carbon emissions since 2009. They became a certified B Corp in 2018 which they believed would legally and equally protect their financial, social and environmental goals. Through their not-for-profit *Intrepid Foundation*, they had raised over AUD\$five million for 53 grassroots community projects in 25 countries. Intrepid operated under five key commitments to sustainable tourism. The five commitments included respecting destinations, supporting local people and economies, preserving the environment, protecting animal welfare, and finally protecting the rights of women, minorities and children. The Intrepid Group was started by travellers, for travellers with the goal of changing the way people see the world. Giving back to the local communities they had visited and travelled in a sustainable and responsible way and was at the core of every single trip they operated. They carried over 350,000 passengers a year, their brands offer over 1000 itineraries on every single continent and they catered to all ages, budgets and appetites for adventure.

The Intrepid Group was headquartered out of Melbourne, Australia with sales and marketing offices in London, UK; Toronto, Canada and New York, USA. Additionally, The Intrepid Group operated Destination Management Companies in over 25 countries around the world - these offices operated trips, hired and trained guides to ensure quality control of the product and reduced needs to outsource ground operations.

Discussion and Current Situation: Intrepid's Business Dilemma

Turkey was in a state of flux. The total number of foreign travelers who visited Turkey between January and October 2016 was recorded as 22,696,776; a drop of 31.35% compared to same period in 2015.¹ The number of foreigners who visited Turkey dropped 9.81% year-on-year to 1.17 million in January of 2017.² It was the 18th consecutive annual decline, although the smallest fall in ten months, boosted by security fears following several terrorists' attacks. Turkey was a country that was one of the most popular countries to visit in that part of the world with its largest markets coming from the Europe, particularly the UK. Multiple travel advisories during this time had been issued and a 'heightened state of alert' was stated by many nations around the world.

For Intrepid, revenue in North America was down 80% in 2016 compared to 2015. Passenger numbers (PAX) were down 62% in 2016 compared to 2015. Globally the situation was not as dire but still problematic. In 2015, approximately 1500 travellers went to Turkey at an average tour cost of \$1800 USD which equals about \$2.7 million in sales. In 2016, sales were less than \$750,000 USD.

In the start of 2017, bookings were at an all-time low. What should the company do about sales? Travel to the region? They couldn't pull out as too many communities were supported by tourism. What about the influx of refugees to the region?

The issues were different in Turkey than Nepal. The issues that Turkey faced were psychological, not environmental. It wasn't a question of damage from an earthquake – it was fear of a terrorist attack, of being safe and keeping their customers safe. Although Nepal was not a well-known destination before the earthquake, people had always been open minded to travelling there...

The economic issues were greater too... Nepal had always sold well but was never with the same volume as Turkey. Turkey was a top selling region bringing in almost \$three million in sales. Because sales were so low in Turkey, even the GM of operations for Turkey had relocated to Nepal. Over 40 Intrepid staff, however, were employed in Turkey – was it feasible to relocate them all?

Another issue was that Intrepid was growing – it was slated to soon be the largest adventure tour company in the world with sales at over \$300 million across all business units and a plan to become the first billion-dollar adventure company. Competition in the adventure travel space was fierce as several small group adventure operators offer a similar style of travel. However, Intrepid's breadth of product from 2 hours to 200 days, and a vast network of operations offices, made Intrepid confident in their position as an industry leader.

¹ <https://www.bbc.com/news/world-europe-36549880>, last accessed May 2020

² <http://www.tradingeconomics.com/turkey/tourist-arrivals>, March 1, 2017

Conclusion

What should Michael and his team do? Would a PR stint to get people back to Turkey? Should they stop selling the destination even if it went against their principles of sustainability? Jessica, Anabel and Michael laid out the sales figures in front of them and hoped that their core team would be able to solve this issue that had far greater implications than just for Intrepid Travel.

Appendices

Appendix 16.1: Sales Figures

	Turkey 2014	Turkey 2015	Turkey 2016
Q1	\$90 K	\$55 K	\$10 K
Q2	\$60 K	\$80 K	\$5 K
Q3	\$50 K	\$40 K	\$4 k
Q4	\$25 K	\$25 K	\$5 K

Source: Created by the author using data from original sources

Appendix 16.2: Statistics: Visitor Numbers to Turkey

Available at <https://www.e-unwto.org/doi/pdf/10.5555/unwtotfb0792010020142018201911>, last accessed August 2020.

Appendix 16.3: Nepal Campaign Successes

- PR brought 68% increase in organic visit six months after the earthquake
- 70 PR stories were obtained
- Campaign returned visitor numbers back to pre-earthquake levels within one year
- \$750,000 was raised for four major non-governmental organizations in Nepal

Appendix 16.4: Additional Reading: Select Media Examples Included the Following

- The Independent: <http://www.independent.co.uk/travel/asia/nepal-earthquakekathmandu-trekking-sherpa-everest-a6996096.html>, last accessed May 2020

- Telegraph: <http://www.telegraph.co.uk/travel/destinations/asia/nepal/articles/Nepal-prays-for-return-of-tourists-after-earthquakes/>, last accessed May 2020
- TravelPress: <http://www.travelpress.com/intrepid-launches-1-million-fundraising-campaign/#.WRSLnFPyugw>, last accessed May 2020
- Guardian: <https://www.theguardian.com/travel/2019/jan/26/10-best-ethical-travel-companies-local-community>, last accessed May 2020
- New York Times: https://www.nytimes.com/2015/09/06/travel/nepal-tourism-intrepid-travel.html?_r=0, last accessed May 2020
- The Australian: <https://www.theaustralian.com.au/travel/how-your-holiday-can-help-others-in-nepal-and-vanuatu/news-story/28729154791335f8d1213bff2cd6870b>, last accessed May 2020
- TravelWeekly: <https://www.travelweekly.com.au/article/intrepid-launches-massive-fundraiser-for-nepal/>, last accessed May 2020
- Spotlight: <http://www.spotlightnepal.com/News/Article/Nepal-tourism-bouncing-back>, last accessed May 2020
- Forbes: <https://www.forbes.com/sites/breannawilson/2016/03/10/one-huge-reason-why-right-now-is-the-time-to-visit-nepal/#462aab9647e3>, last accessed May 2020
- Yahoo: <https://ca.news.yahoo.com/nepal-after-the-earthquake-is-1312889792815158.html>, last accessed May 2020
- Adventure Travel: <http://www.adventuretravel.biz/nepal/>, last accessed May 2020

Teaching Note

Case Summary

Intrepid Travel, a tour operator, faced a deliberation of how to deal with decreasing numbers and revenue to Turkey, one of the company's largest destinations. In the past, a successful public relations campaign brought people back to Nepal after the 2015 earthquake and this case debates whether a similar strategy would also work in Turkey. This case outlines the issues surrounding the two destinations as well as the implications that the company faces in a world of increasing risk to business.

Teaching and Learning Objectives

This case study aims to help students understand how to:

1. *Weigh the values of environmental versus political issues when running a company (e.g., how important is understanding macroeconomic factors for business operations).*
2. *To have students understand the role of PR, sales and marketing within a company and what weight these roles have for overall strategy.*

3. *To be able to apply understand Stakeholder Theory and Rokeach's Value Theory by identifying stakeholders in a situation and examine different values and the weight they hold when making decisions.*
4. *Consider the role of sustainable development within marketing.*
5. *Identify the impact of cultural bias and how to address personal values in decision making.*

Target Audience

This case is appropriate for marketing, strategy and sustainability related courses at both an undergraduate and graduate level. The case will be particularly useful for students who wish to gain experience in strategy or complex issues relating to business and sustainability.

Sustainability/Strategy To understand the role a company or organization can play in a larger political context. To also understand the role of shareholders not just stakeholders and to demonstrate the importance of core business values as a means of doing good, not just doing well.

Marketing/Communications To focus on the need to understand the macroeconomic issues that affect a company as well as the microeconomic factors. This case will also demonstrate the need for leadership and strategy within communication and illustrates the wider communication challenges that companies face.

Teaching Approach

For all approaches, first have the students read the case and find some updates statistics on travel to the region so that they have an understanding of the size of the market and location of the case.

The case can be used in a variety of ways.

- A) The case could be used as a group study where each individual student reads the case and chooses a character or persona with which they identify with and then have a group debate about who should be responsible for which role or recommendation (Table 16.1). Then a facilitated group discussion could be had outlining the individual issues and how different communication strategies could be implemented to avoid conflict. This would be a good discussion to identify and outline the need for cultural sensitivity, bias and identification of values and potential stereotypes that exist within the workplace. This approach of role playing also assists in demonstrating the complexities of different roles within a work place and the pros and cons of multiple options that might be put for-

Table 16.1 Teaching Approach A: Class activity and time

<i>Class activity</i>	<i>Time proposed for each activity</i>
<i>Choose a character and debate</i>	Allow 15 minutes preparation then 20–30 minutes to debate
<i>Facilitated group discussion</i>	30 minutes

Table 16.2 Teaching Approach B: Class activity and time

<i>Class activity</i>	<i>Time proposed for each activity</i>
<i>Strategy discussion (could be an entire class)</i>	10 minutes for students to write down the problem and the significance of not solving the problem
	30 minutes – 1 hour for background research 5 minutes for each group/student to present recommendations / voting
	30 minutes in strategy discussion as a class

ward. This would also be a good approach to understand different roles of leadership and power within an organization and how these interact with personal identity. Rokeach's Value Framework could be used to determine which values rank highly for students.

- B) The case could be used as a strategy discussion where the problems are first identified and then the significance of *not solving the problem* is then outlined (e.g. what are the possible outcomes of not doing anything or not addressing the key issues) (Table 16.2). Students could then be asked to do some background research to identify three recommendations for Intrepid using country or industry data to back up their ideas. If the class is smaller students could be placed into small groups of 3–5 to discuss their recommendations and have them come up with one solution as a group with facts and statistics to justify their decision. While groups have presented answers, a larger class discussion should ensure. Once the group as a whole has put forth their solutions, they should vote on which is the best for the particular element (sales, sustainability, etc.). This would help a discussion of strategy and how to put forth/sell strategic ideas and also provide opportunities for students to relate the importance of research and real world political, cultural and environmental issues to a company issue.
- C) For a larger class, the instructor could give a background on the case either from a marketing/ communications or strategy lecture and then ask the students to identify the key problem in the case and find other similar businesses that have faced issues (allow some time for students to do some background research especially researching other companies that are B Corps – see <https://bcorporation.net/> (Table 16.3). Then a group discussion of comparable companies could be presented. Groups should be set up and each group should come up with or debate the best option. Ask students to then outline how they would approach the decision and put together a timeline of what should happen and when (an implementation plan for the company). Be sure that students pinpoint outstanding or key issues that need to be monitored and addressed and how they would approach them.

Table 16.3 Teaching Approach C: Class activity and time

<i>Class activity</i>	<i>Time proposed for each activity</i>
<i>Lecture on marketing/communication/strategy</i>	Professor's discretion
<i>Student identification of key problem & research</i>	30 minutes
<i>Group discussion/presentation of companies</i>	15 minutes
<i>Timeline/implementation strategy</i>	Depends on class level and competence

Suggested Questions for Student Discussions

1. What are the relevant facts and industry and company issues in the case?
2. Which aspects of the case do you believe are more important: sustainability or profit? Which should be the primary driver for Michael to focus on?
3. What individuals or groups have important stakes in the case? Do some have a greater stake because of personal interests? Use Stakeholder Theory or Rokeach's Value theory to explain your answer.
4. What are the possible options for Intrepid?
5. Which option is the best thing for the company? Why is it the best option?

Example Responses

- ***What are the relevant facts and industry and company issues in the case?***
 - Sustainability versus growth should be a key discussion. Intrepid is the largest adventure tour operator in the world however, they are also a BCorp³ so they aim to be a purpose driven company. Sales are therefore important but ethics and sustainability are as important as profit. If a theory is to be analyzed, look at Stakeholder Theory and outline that community, tourists, business and the environment are all considered as key stakeholders when Intrepid makes decisions.
 - Sales in Turkey plummeted but the company operated in multiple countries around the world and therefore distribution of risk should be discussed.
 - Nepal was a different campaign with different risk. Safety and security are harder to control as terrorism is unpredictable. In Nepal, tourists could be kept away from the areas worst hit while money could still flow into the country. In Turkey, the risk of a sudden attack is not preventable but it can be mitigated. For example, the company assisted the Destination Marketing Company (DMC) on the ground on various projects including – Trip Safety Evaluations

³For more information on B Corps, please see <https://bcorporation.net/about-b-corps>

and training DMC staff in new sales / DMC communication processes and Leader trainings in other destinations to assist with safety and security issues

- ***Which aspects of the case do you believe are more important: sustainability or profit? Which should be the primary driver for Michael to focus on?***
 - This case is more about political issues than environmental. Although the company has a solid background of sustainability achievements, the case is not discussing the company's sustainability position but more a political climate in which they must navigate. When a company undertakes any marketing or strategic decision, usually a situational analysis is conducted. Although environmental issues are a key element of a PESTEL (political, economic, social/cultural, technological, environmental, legal), in this instance the political climate is the issue affecting the company from a macro economic standpoint.
 - The company is Australian owned but operates globally. What cultural values does the company have? What potential biases and communications styles may the company use which might upset or put some of their staff on edge?
- ***What individuals or groups have important stakes in the case? Do some have a greater stake because of personal interests?***
 - For this question each person outlined in the case could be explored. From a marketing standpoint what values does each employee have? From a strategy or sustainability standpoint values could also be explored. Leadership styles could be explored here as well as Rokeach's Values. Rokeach Value Survey (RVS) is a values classification instrument which should be given to students to examine. Developed by social psychologist Milton Rokeach, the instrument is designed for rank-order scaling of 36 values, including 18 terminal and 18 instrumental values
 - Another theory that this case illuminates is Stakeholder Theory. As multiple stakeholders must be considered to ensure that tourism is more sustainable, this case illustrates the role of the community and what would happen if tourism withdrew, the roles of staff and their values as well as the role of the business and their profits.

To understand stakeholders, the following outlines how decisions like this involve multiple roles within the company (who represent multiple stakeholder external to the company such as the community, etc.). These are all direct reports into the CEO who ultimately makes the call.

- General Manager of DMC (Anabel)
 - Also known sometimes as the Chief Product Officer or Chief Operations Office
 - Reporting to the CEO, this person deals with the operations
 - They would understand the financial risk, S&W implications, profitability of the operations office etc.

- Commercial Director (Michael)
 - Also known sometimes as the Chief Commercial Officer
 - Forecasting what the financial risk is to the business
 - Also understanding the financial opportunities when business returns
- General Manager of Communications/PR (Jessica)
 - This person helps inform the reputation risks on the business
- Jessica is Muslim – does this have any implications for the decision at hand? Cultural sensitivity is a key consideration here and something that needs to be acknowledged. For a cultural communications or marketing course, values and culture should be highlighted and to not form stereotypes without adequate information.
- Nothing is known about Michael except that he is hungry for a promotion – what stresses would he be facing? What would be his key values when examining Rokeach’s Values? ○ Anabel knows the country possibly better than anyone else as she is born in Turkey – do you think this creates a possible bias or personal issue? Again stereotypes could be explored here
- ***What were the options for Intrepid?***
- This case can have students come up with what could happen and what the company could do... for example there are two key questions:
 - A) Ceasing operations in Turkey would be a big loss for Intrepid Travel. There would be significant loss of jobs in their Istanbul office and if the political situation improves, they would leave a lot of revenue on the table.. Additionally, they are known for having won in the face of adversity when they stayed in Nepal and successfully navigated and won using their *namaste Nepal* campaign. As a sustainable tour operator, they must be committed through good and bad times.
 - B) Staying in Turkey but having a customer hurt or attacked or worse would be the absolute worst case. They have always put passenger safety first, and staying would potentially put their customers at risk and even lead to a global PR nightmare for the company.
- In order to try to come up with decisions, there are some key factors to understand about a crisis or politically charged decision:

Timeline

- It is difficult to know when things will “normalize”
- The hardest part is a decision like this is the unknown
- This could have been a 1 year thing... Or a 10-year thing!!
- There were short- and long-term contingency plans put in place

- Short term being a lot of what happened
- Longer term would be relocating employees, closing office, etc.

Marketing

- There are two things to consider...
 1. You are booking thousands of travelers to Turkey every year, then suddenly it is not safe?
 2. So how do you ensure people still book?
- Intrepid focused marketing into destinations that fit the customer profile of a Turkey traveler, places like Croatia and Greece, which are historic, old-world Europe, on the Mediterranean coast, etc. The incremental revenue gain would help offset the challenges in Turkey and allow the business not to move into cost cutting
- Once things began to normalize, Intrepid immediately invested a lot into Turkey to get visitor numbers back up again
- Intrepid hosted a press trip with five journalists, an influencer trip with five journalists, and a content shoot to get new images and videos to market on their site
- What actually happened was that Intrepid stayed in Turkey:
 - During this time Intrepid kept business in Turkey even while many other companies closed their doors. They did this through increasing B2B business through their operations office
 - It was not a feasible option to move their tour leaders to new destinations b/c of local labor laws in destinations but in order to still provide them work, Intrepid had them work on other destination projects remotely. They also provided one-on-one coaching with tour leaders to help them move forward with their careers if they were out of work – such as resume writing and helping coach them on what skills were transferrable to other industries. The outcome was that only a small portion of their staff left but all but a few have returned to them recently
 - The company also explored new markets – for example, the General Manager on the ground in Turkey was able to secure a partnership with a Turkish Travel Operator that led to (business to business) B2B tours in Turkey for Turkish people. This helped to generate some sales and helped Intrepid to provide some income for their tour leaders. This approach also enabled tour leaders to further train in regions not normally travelled on usual Intrepid group departures and also ensured that they did the best job possible with the small stream of customers that they had.

• ***Which option was the best thing for the company? Why was it the best option?***

As a responsible tour operator, Intrepid is committed to supporting the destinations in which they operate through good times and bad.

With the heightened security threats, a situation out of their control, it meant Intrepid was forced to operate in a heavily reduced capacity, which meant their tour leaders and operations staff were left out of work.

Finding other projects in the business, developing new business opportunities within Turkey and seeking temporary gainful employment in other sectors, was an important way for Intrepid to retain and support their team without closing down the office

Turkey has historically been a Top 10 selling destination (out of 120 countries) and ceasing operations (and letting invaluable talented leaders go) would've significantly jeopardized future operations when the political climate cooled

Hiring, developing and training local leaders (Intrepid exclusively uses local leaders to enhance the customer experience and support the local economy) is a big investment that is core to the Intrepid brand. It is difficult to do, and tour leader talent is highly competitive in Turkey.

When stability returned to Turkey, Intrepid was immediately able to ramp up operation and service demand for tours to Turkey. Because they invested in their leaders and maintained their operations, they were in a much better place than all of their competitors when travelers started to return

Within 12-month, Turkey has it's first month back in the Top 10 destinations for booking

The revenue earned from bookings in this first year more than made up for the fact the Turkey office was not as profitable during the political downturn

The Turkey team has scored very high in Intrepid's Employee Satisfaction survey, largely due to how they handled Turkey

Additional Readings

It would be useful for students to understand the travel industry and therefore ask students to look at some of the following documents. The readings provide useful and practical information to assist students in critically assessing the information provided in the case.

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Dr. Rachel Dodds is a Professor at the Ted Rogers School of Hospitality and Tourism Management at Ryerson University in Canada. Her work focuses on trying to increase the sustainability of the tourism industry and both her research as well as practical experience focuses on sustainable tourism, tourism marketing and environmental and social governance.

Michael Sadowski is the GM of Global PR & Communications at Intrepid Travel, a purpose-driven tour operator that is both the world's largest adventure travel company and travel B Corporation. Intrepid Travel has a long history of responsible business, being carbon neutral since 2010 and known for being the first global tour operator to ban elephant rides. Mikey is involved in shaping the brand's position and communications in North America as a leader in responsible travel and in using travel as a force for good. He is a contributor to Forbes, publishing articles on PR and strategic communications. Michael is an invited lecturer at Ryerson University, his alma mater, where he graduated with a major in Hospitality & Tourism Management, specialising in policy and sustainable tourism. He also holds a marketing certificate with distinction from The Wharton School. Mikey has visited all seven continents in the past few years, with experiences ranging from living with indigenous reindeer herding communities in Siberia to cycling across Tanzania.

Chapter 17

Strike While the Iron Is Hot: A Case of Market Opportunity for the Sydney Conference and Training Centre



Rajka Presbury and Winnie Ho

Abstract Analysis of the business environment is a complex process and covers multiple variables. Owners of facilities need to weigh up the future business opportunities against their investment philosophy, objectives and policies when making decisions about future investments. The independently owned and operated Sydney Conference and Training Centre (SCTC) has been part of the Northern Beaches for over six years, predominantly serving small corporate groups. When the new owners purchased the property in 2016, they were confident that the business model was sound and that the centre would continue to prosper. However, the business environment changed, and the new owners began to see profits dwindling. More modern and more versatile properties opened their doors in competition with the SCTC, customers began to demand more, and staff became more challenging to recruit. Two years into the venture and the owners need to weigh up future business opportunities and make decisions about future investments.

This case presents a series of facts to enable the students to apply theories and concepts of strategic management. Students need to put forward viable strategies to the owners for future development and investment.

Keywords Business planning · Opportunity assessment · SWOT · Strategic thinking · Strategic management

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Introduction

Conferences, conventions and meetings have traditionally formed one sector within business tourism and have often been referred to as corporate hospitality (Rogers, 2013). The all-year-round nature of conferences and meetings means that it is an attractive business proposition as compared to food and beverage operations that rely on passing flow of customers and may be more seasonal. This case sets out the story of the independently owned and operated Sydney Conference and Training Centre (SCTC). It describes the history of the centre, its facilities and services, provides some insights into the general area and identifies future development. The current owners purchased this property in September 2016, with the intention that this would be the second of a series of properties in Australia. Since buying the property, the owners have relied heavily on the existing clientele; the facilities have been maintained, but no new investments in infrastructure or facilities have been made, and no major marketing campaigns have been undertaken. The staff turnover is minimal, and on balance, the centre produced revenue in the 24 months of ownership. However, over the last 24 months, the centre has experienced a steady decline in business, and thus revenue. Winnie Ho, General Manager, has been asked by the owners to assess the present situation and generate some ideas to rejuvenate the business.

As in all business ventures analysis of the business environment requires detailed study and analysis of the environment to determine the market potential and assess the profitability against the risk (Gee, 2012). Evaluating the environment requires a SWOT analysis. A SWOT analysis is an assessment of Strengths, Weaknesses, Opportunities and Threats faced by a business: it is a tool used by many organisations, industries and disciplines to identify their competitive advantage. The SWOT analysis has also been significantly employed for recommendation purposes on strategic management in situations that involve alternative courses of action (Helms & Nixon, 2010). Scanning the environment can be a stepping-stone in strategic planning models for producing competitive strategies and product development plans (Harrington et al., 2014). The knowledge gained from a strategic analysis is then used to generate and evaluate ideas that result in an overall direction for the organisation (Harrison, 2003).

From the body of information presented, students can evaluate the facts, synthesise the data, and make decisions on grouping information into a SWOT matrix. They then apply different theories and concepts under the umbrella of strategic management to identify the opportunities for improvement to increase trading performance over the coming years. The case study has relevance to several theoretical models, particularly with strategic management, SWOT analysis, competitive analysis, feasibility studies and general business planning models.

Design/Method

Using secondary data sourced from local government reports, industry reports, news and media outlets, and available internal documents provided by the management, the facts for this case are compiled. Personal interviews with staff and management provide a narrative and contextual framework. This case does not offer any financial information, and it is concerned only with the broad environment.

The Context

The Sydney Conference and Training Centre located in Ingleside, a suburb in Northern Sydney, in the state of New South Wales, Australia (Fig. 17.1). The area is 28 km north of the Sydney Central Business District, in the local government area of Northern Beaches Council. Detailed information can be found on the SCTC website: <https://sydneyconference.com.au/>



Fig. 17.1 Aerial shot of the SCTC. (Reproduced from Promotional Material from SCTC)

The SCTC was initially developed by Ampol in the late 1970s and subsequently sold to Westpac Banking Corporation for the sole purpose of training and development of bank personnel. From July 2008, the facility was independently owned and operated as the Sydney Conference and Training Centre Pty Ltd. by Ronald Lindsay and John Simmonds. In 2015, a private Chinese property group bought the property. In 2016, it was re-sold to the current owners.

Location

The area surrounding the SCTC is mostly semi-rural with extensive bushland. Several national parks surround the site, including Garigal and Ku-ring-gai Chase, the Ingleside/Warriewood Escarpment and Ingleside Chase Reserve. However, in recent years there has been an increase in housing development in the area overall and identified as the significant Greenfield release area for the North-East sub-region. The areas indicated in Fig. 17.2 occupy approximately 700 hectares, of which the New South Wales government owns one-third.

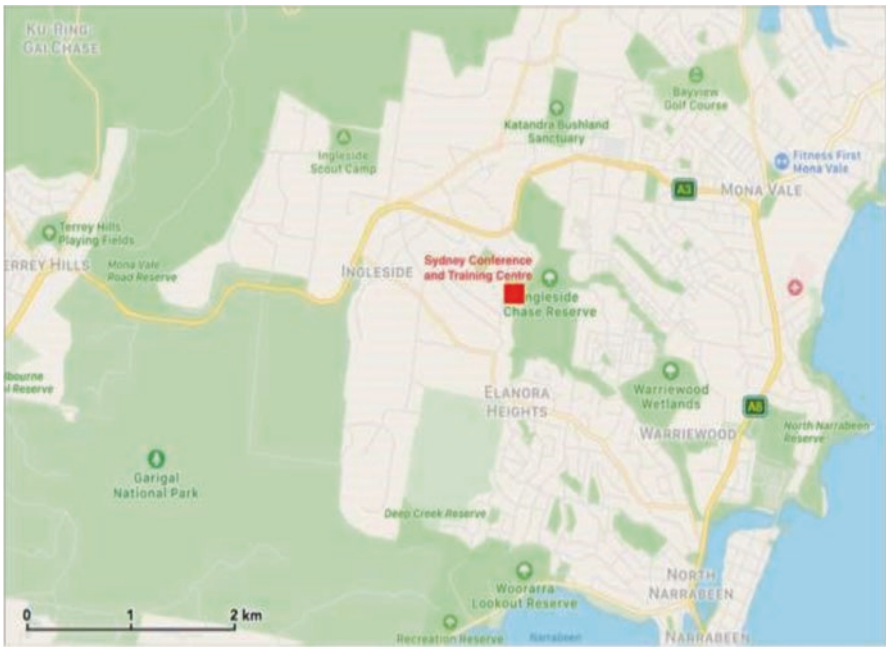


Fig. 17.2 Map location of the SCTC. (Reproduced from google maps)

Site Facilities

- The SCTC is located on approximately 3.5 hectares of attractive natural bushland. The land features quiet retreat areas, as well as a variety of sporting and recreational facilities, which include a swimming pool, tennis court and gymnasium.
- The complex is a purpose-designed and built facility, and incorporates four conference rooms, two meeting rooms and nine syndicate/breakout rooms.
- There are 56 accommodation rooms in six separate buildings all linked by covered walkways.
- There is a dining area with capacity for approximately 100 customers with an adjoining bar, lounge and coffee area.
- The management offices and reception area are in the separate main building.
- All facilities are at ground level with only small floor level changes as the complex buildings reflect the gently sloping nature of the site.

Access

The site is accessed via Mona Vale Road and accessed from a single vehicular entrance from the public road (Ingleside Road) on its western side.

Visibility

The SCTC is not considered highly visible from the main approach along Mona Vale Road and Powderworks Road. The roads leading to the site are narrow and poorly maintained, and there is limited signage directing traffic to the site. The signs currently installed are small and unclear in direction. From all viewpoints, the visibility is obstructed from Mona Vale Road by well-established bushland areas with tall trees surrounding the site. Accordingly, the site is well protected from traffic noise with the bushland providing a natural sound barrier.

Views (Fig. 17.3)

- The entrance and surrounding area on the approach to the entrance is landscaped and aesthetically attractive.
- The meeting and banquet rooms on site have favourable views from a number of vantage points.
- Indoor views from public spaces enjoy daylight illumination and look out to a green landscape.



Fig. 17.3 SCTC. (Reproduced from Promotional Material from SCTC)

Transport Options

The location of the SCTC is considered disadvantaged by the lack of transport options currently providing connections to the site, subsequently restricting access by visitors and current and potential employees. However, major roadways and highways do connect Ingleside to other points throughout the region, and there are several services available via bus and train. Plans do show some new infrastructure and public transport developments that may have significant impacts on access.

Air

- Travel from Kingsford-Smith Airport to the site is approximately 39 km/a 47 minute drive.
- For local flights in New South Wales and surrounds, Bankstown Airport is similar in the journey, approximately 43 km/58-minute drive to site.

- Plans for Sydney airport include several projects to improve traffic capacity, especially around the domestic terminal. Sydney airport is working closely with Transport NSW and NSW Roads and Maritime services to improve public transport to and from the airport. There are also plans to increase train capacity and reduce travel fares to and from the airport.
- Long-term plans also exist for a new Western Sydney Airport, with stage 1 to open mid 2020s. Distance to the SCTC would be approximately 77 km, with a drive time of one hour.

Road

The most popular means of transport throughout the region is by car, and the location benefits from being relatively close to Sydney and several networked motorways, including the West M2, Princes Highway, North West M7 and M4, and the M5.

The connecting road networks to and from the SCTC, particularly Mona Vale Road leading to the Pacific Highway, are bustling roadways and are especially congested during peak periods. However, the NSW government has approved a \$90 million road upgrade including:

- Extension from two to four lanes between Terrey Hills and Mona Vale;
- Upgrade 3.2 km of road between Manor Road, Ingleside and Foley Street, Mona Vale from two lanes to four lanes;
- Upgrade 3.4 km of road between McCarrs Creek Road, Terrey Hills and Powderworks Road, Ingleside from two lanes to four lanes.

Further, a major transport initiative for the Northern Beaches area is the tolled Northern Beaches Link Tunnel, which is a part of NSW's 2012 Long Term Transport Masterplan. The tunnel will be beneficial for the region by reducing travelling times between several locations, detailed below:

- Brookvale to CBD of up to 40 minutes (bypassing 19 sets of traffic lights)
- Dee Why to Airport of up to 45 minutes
- Manly to Macquarie Park of up to 35 minutes
- Manly to Parramatta of up to 45 minutes
- Seaforth to North Sydney of up to 35 minutes

Rail

The main rail service to the area is the T1 Northern Line. Indicative travel time from Central Station to the site is approximately 2 hours and 12 minutes, costing travellers \$6–\$11. Given this trip duration, rail travel to the site is an unlikely option for customers and employees.

Bus

The area is not well-serviced by the primary bus line. From Central Station, it can take up to 2.5 hours to reach the site and costing travellers \$6–\$11. The Northern Beaches BLine currently services Ingleside. The B-Line is due to be upgraded and expanded with the below-proposed improvements:

- Buses will run every five minutes between Mona Vale and CBD during peak periods in the peak direction;
- Four new routes will be created, including route E54, which provides frequent services from Mona Vale to North Sydney during weekday peak periods;
- A newly created route, 199, will run every 15 minutes to and from Palm Beach on weekends. Updated information: <https://www.mysydney.nsw.gov.au/northernbeachesbuses>

There are several private transport services available to visitors, including taxis, Uber and private car rental.

Surrounding Land Uses

Ingleside's surrounding area is mostly semi-rural, with housing set against extensive bushland. There are several national parks, and residential housing in the area is growing. Residents have access to some business hubs, and business and leisure activities are located within easy access to major road networks.

Residential

Ingleside, centrally located for well-established residential areas that serve as critical anchors of business and include some mixed-use elements, including residential units, commercial/office space, parking, restaurants and associated retail. Areas such as Bayview, Mona Vale, Elanora Heights, Cromer, Oxford Falls, Belrose, Terrey Hills and Ku-ring-gai, are critical economic hubs locally.

Business Parks

The following business parks located within a reasonably short distance of the SCTC:

- Frenchs Forest Business Parks, Forestridge Business Park, Schaeffler Australia Pty Ltd., KFC – Head Office and Pacific View Business Park.

- Chatswood Business Parks: Pepsico, Huawei, The Smith's Snackfood Company and Coffey A Tetra Tech Company.
- Macquarie Business Parks: Macquarie University, Waterloo Business Park, Pinnacle Office Park, Acre Woods Macquarie Park, Siemens, Link Business Park, Talavera Business Park, Orion Business Park and Transtech Business Park.

Medical and Associated Government Offices

Mona Vale Hospital located 6 km from the SCTC. The new Northern Beaches Hospital located 15 km from the SCTC and will employ 1300 staff. Community medical centres and associated specialist medical services surrounding the hospital precincts will provide additional medical support to the area. Suggesting a moderately strong corporate base will develop relative to the site.

The Northern Beaches Tourism Outlook

The Northern Beaches Council region accounted for \$859 million in the total tourism and hospitality sales for 2018/19, reflecting only a small proportion of the New South Wales region. The tourism industry represents a potential growth area for the council as the Local Government Area (LGA) contains popular tourist destinations, such as Manly Beach and Palm Beach. (Table 17.1)

According to the Tourism in Pittwater Report (2017) prepared for the Northern Beaches Council, there is a significant lack of accommodation supply in the area.

Northern Beaches Council

The Northern Beaches Council's LGA located between 10 and 30 km north of Sydney CBD with a total land area of 25,669 hectares. The council was formed by the merging of Manly, Pittwater and Warringah councils in early 2017.

Demographics of the Northern Beaches Council (based on the most recently available census information from 2016) is presented in Table 17.2 below:

Ingleside Precinct

The Ingleside precinct has an area of 700 hectares. Characteristics of the area include:

Table 17.1 Tourism statistics for NSW and Northern Beaches Council 2018/2019. (Reproduced from Profile id)

	New South Wales	Northern Beaches Council
Number of international visitors	5,779,602	119,558 (2.1% of NSW)
Average length of stay (international visitors)	16.9 days	27.8 days
Number of domestic overnight visitors	41,840,437	598,893 (1.4% of NSW)
Average length of stay (domestic overnight visitors)	278 days	2.6 days
Number of domestic day trip visitors	68,235,948	2,080,665 (3.1% of NSW)
Percentage of visitors having business as the main reason (international visitors)	9.9%	6.9%
Percentage of visitors having business as the main reason (domestic overnight)	18.8%	14.9%
Percentage of visitors having business as the main reason (domestic day trip)	10.8%	7.9%

Table 17.2 Key statistics of Northern Beaches Council. (Reproduced from the Australian Bureau of Statistics, 2016)

	Statistics	Notes
Population	252,878	
Number of families	67,745	
Average children per family	1.8	
Males	123,404 (48.8%)	
Females	129,474 (51.2%)	
Median age	40 years	
Private dwellings	101,475	No public housing in the council area
Percentage of people who travel by car to work	62.1%	Either as a driver or as passenger
Average motor vehicles per dwelling	1.3	
Median weekly household income	\$2178	As compared to \$1438 for the rest of Australia
Percentage of households with more than \$3000 gross weekly income	34.1%	As compared to 16.4% for the rest of Australia
Percentage of employed people aged 15 years and over	92.3%	As compared to 88.1% for the rest of Australia

- The precinct holds a small population compared to other areas under the Northern Beaches Council jurisdiction. It is important to note that although it is a small community, the households generally have high income and are employed in white-collar occupations, which translates to higher disposable income.
- Due to the lack of public transport options in the vicinity, the primary mode of transport is by private cars, which corresponds to the weekly income that residents earn. Notably, the population density in Ingleside is only 1.60 whereas the surrounding precincts of Elanora Heights and Bayview precincts have population densities of 13.73 and 8.78 respectively.
- As these two precincts are mainly for residential purposes, there are existing facilities and amenities, such as schools and grocery stores to support the community. This effectively means that the Ingleside precinct has the potential and capacity to grow its population and develop more facilities and amenities.

Future Developments for Ingleside

Precinct planning for Ingleside started in July 2013, overseen by the New South Wales (NSW) Department of Planning and Environment, Urban Growth NSW and the Northern Beaches Council. The vision for the precinct is to become a connected, liveable and sustainable community that embraces and respects its landscape setting. Planning was finalised in late 2017, after which rezoning and development works could commence. In alignment with the plan's vision, the overarching strategy for the precinct planning is to portion 30% of the area for conservation purposes, 30% of the area to remain the same and only 40% of the area zoned for future development. One of the critical benefits of future growth is the creation of 700 local jobs for the community. With the introduction of approximately 3500 new homes, it will multiply the population of Ingleside to an estimated 9500 people. Approximately 5–10% of the land zoned for affordable housing, which aligns with government initiatives. Preliminary planning has shown that the precinct will boost new developments, such as a new town centre, multi-purpose community centres, a new primary school, local medical centre(s) and three to four childcare centres, while retaining approximately 15.7 hectares of open space.

The current draft of the precinct planning is as shown in Fig. 17.4 below, and the location of SCTC is as indicated:

Major features of the surrounding area development:

- Low-density housing of no more than three storeys high, which preserves the vista of the surroundings;
- Ingleside Chase Reserve preserved as a conservation area;
- The new town centre proposed to have 2000 square metres of retail space, which includes a small supermarket and convenience-type retail stores with approximately 66 parking spaces;

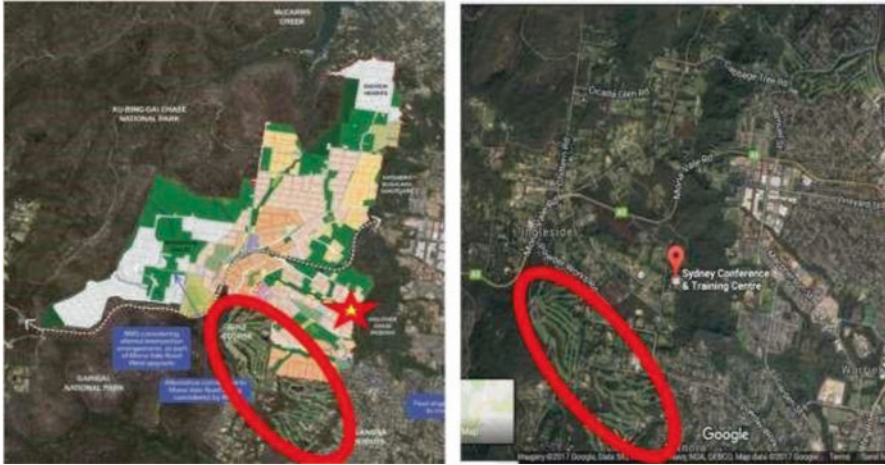


Fig. 17.4 Location of SCTC within precinct plan. (Reproduced from Google maps)

- Profile of residents will be young families with or without young children and with moderate to high incomes with both parents working;
- Electricity provider Ausgrid has confirmed that the existing Mona Vale substation can support the increased electrical demands;
- Development of the existing road infrastructure, namely the intersection of Mona Vale and Powderworks roads, to be upgraded and widened to have two lanes per direction;
- However, it has been reported that there is a three-year delay in the construction of a new water reservoir and sewage pumping station.

Competitors

Potential competitors are divided into two categories, primary and secondary, and are identified based on their similarity of accommodation and conference/function facilities within the market area.

- Primary competitors: are geographically close to the SCTC and have dedicated conference facilities, including accommodation.
- Secondary competitors: have similar prices, and conference and function facilities, but which primarily target other market segments. (Table 17.3)

Table 17.3 (continued)

Property	Location	Accom	Rooms	Operator	Fee	Conference & Function				Style				Facilities			
						Room	Capacity	Board room	Board	Banquet	Cocktail	Theatre	R	P	G	Gf	Sa
Clubs and Golf Clubs																	
Elanora Country Club	Elanora Heights	Yes	8	Independent	\$65 p/p	2	200	-	200	N/A	N/A	N/A	R	Gf	T		
Monash Country Club	Ingleside	No	-	Independent	\$65 p/p	3	120	-	180	280	N/A	N/A	R	Gf			
Bayview Golf Club	Mona Vale	No	-	Independent	\$65 p/p	1	200	-	150	200	N/A	N/A	R	Gf			
Mona Vale Golf Club	Mona Vale	No	-	Council	\$47 p/p	1	180	-	180	250	N/A	N/A	R	Gf			

Key: R – Restaurant; P – Pool; G – Gym; Gf – Golf; Sa – Sauna; T – Tennis; p/p – Per person; 1: Residential package; 2: Full-day package

Services and Attractions in the Area

The area surrounding the SCTC presents a variety of services and attractions to benefit the leisure market. Following is a description of the key attractions in the area:

National Parks

Open sunrise to sunset, Ku-ring-gai Chase National Park, Ingleside Reserve and Garigal National Park combine national heritage with scenic beauty. The parks offer a range of outdoor and recreational activities, such as bird-watching, animal-spotting and bushwalking.

Northern Beaches

From Manly to Palm Beach, the Northern Beaches offer a wide range of services and experiences, including:

- A selection of restaurants, cafes and street food markets.
- Spectacular views - visitors have the option of flying in a seaplane to Moby Dicks, Jonah's multi-award-winning restaurant at Whale Beach.
- The Barrenjoey Lighthouse Walk is a very popular hiking trail to Sydney's most northern point.
- Between May and September, visitors can watch whale migration from a cruising company or by joining a group hike on the cliffs of the Northern Beaches.

Baha'i House of Worship

Only a two kilometre walk from the SCTC, the Australian Baha'i Temple is one of just seven Baha'i Temples in the world. A place of prayer and meditation, it is open to people of all beliefs. Described by Sydney University Architectural Historian, Jennifer Taylor, as one of four significant religious edifices constructed in Sydney during the twentieth century.

Horse Riding

Visitors who are interested in horse riding have a wide range of options. The nearest locations and services include:

- Loane Equestrian Centre: Based in Ingleside with distant ocean views of Mona Vale Beach, Loane Equestrian Centre provides dressage training for riders with experienced riding instructors.
- Shellby Equestrian Centre: 7 km from the SCTC, Shellby Equestrian Centre offers a diverse range of lessons in private and group classes.
- Palomino Riding School: Situated 10 km from the SCTC, Palomino Riding School has been operating for over 50 years. The school offers trail rides for one to two hours through local bushland and the Northern Beaches.

Bushwalking Tracks

The SCTC centrally located for a range of bushland walking activities, and sightings of flora and fauna species, as listed in Table 17.4.

Table 17.4 Description of Bushland Walking Tracks. (Reproduced from Kuringai Council)

	Track Name	Distance return	Time return	Difficulty	Features
1	Grosvender St to Gwydire Ave	13 km	5 hrs	Moderate	Views, birds and other fauna
2	Darri Track	7 km	3 hrs	Moderate	Sydney sandstone bushland
3	Ku-ring-gai Ck to Fern Tree Gully	7 km	5 hrs	Hard	Views at Phantom Falls
4	Bungaroo Track	3.6 km	1.5 hrs	Moderate / Hard	Bloodwoods, Scribbly Gums
5	Koola Park to Rocky Creek Track	1.5 km	40 min	Moderate	Variety of plant species
6	Two Creeks Track	7.5 km	3 hrs	Moderate	Views, Middle Harbour
7	Little Digger Track	2 km	40 min	Moderate	Waterfalls, caves, rainforest
8	Little Blue Gum Greek	400 m		Easy	Wheelchair and pram access
9	Blackbutt Creek	4.8 km	1.5 hrs	Moderate	Tall blackbutts
10	Sheldon Forest	3.4 km	1.5 hrs	Moderate	Blue Gum High Forest
11	STEP Track	2 km	1 hr	Moderate	Views, birdwatching
12	Twin Creeks & Browns Field	8 km	3 hrs	Moderate	Rainforest, volcanic diatrema

Golf Clubs

The SCTC is also close to several golf clubs, which can satisfy the needs of both leisure and corporate clients. The nearest locations include:

- **Monash Country Club:** Located 2.5 km from the SCTC, Monash Country Club provides corporate golf and day packages for offsite business meetings.
- **Elanora Country Club:** Located 1.6 km from the SCTC, the Elanora Country Club ranked as one of the top 50 golf courses in Australia. The club also offers a Pro Shop for golfing services and equipment.
- **Pittwater Golf Centre:** Located 7 km from the SCTC, the Pittwater Golf Centre offers golfing activities for school and corporate groups. The centre also has a diverse range of catering options and mini-golf packages.
- **Terrey Hills Par 3 Golf Course:** Located 8.5 km from the SCTC, the Terrey Hills Par 3 Golf Course offers golfing activities for school groups, families or informal business meetings.
- **Golf Paradise Driving Range and Mini Golf:** Located 8 km from the SCTC, Golf Paradise Driving Range and Mini Golf also provides activities for corporate clients as well as families.

Street Markets

The area also features many street markets selling a variety of products, including fresh food and produce, fashion items, homewares, plants and more. (Table 17.5)

Events and Festivals

Events and festivals considered demand generators because they offer a host of economic and social benefits to communities. By attracting visitors, they stimulate the growth of tourism to an area and provide advertising for local businesses by visitors' word-of-mouth. Table 17.6 shows the calendar of local events and festivals:

Discussion and Activities

The case of the SCTC sets out a range of information based on primary and secondary sources related to the facility and surrounding area. From the body of information presented, you are asked to answer the questions below. To inform your responses, consider the concepts and theoretical models you have studied in strategic management:

Table 17.5 List of street markets in the Northern Beaches. (Reproduced from Northern Beaches Council)

Market name	Location	Distance	Description	Frequency	Time
The Beaches Market	Pittwater Rugby Park	8 km	Organic produc – fashion	Fridays	8:00 am – 12:00 pm
Palm Beach Market	Governor Phillip Park	19 km	Organic products – homeware	4th Sundays	9:00 am – 3:00 pm
Lane Cove Makers Market	Lane Cove Plaza	25 km	Hand-craft products Art & Design	3rd Sundays	9:00 am – 3:00 pm
Chatswood Mall Market	Chatswood Mall	22 km	Photography – plants	Thursdays & Fridays	9:00 am – 9:00 pm
Frenchs Forest Market	The Parkway Hotel	13 km	Organic products – fashion	Sundays	8:00 am – 12:00 pm
Hornsby Market	Hornsby Mall	22 km	Organic products – butcher	Thursdays	8:00 am – 3:00 pm
Mosman Market	573 Military Road	22 km	Hand-craft products	1st Saturdays	8:00 am – 3:00 pm
Berry Reserve Market	Pittwater Road	6 km	Art – fashion collectibles	3rd Sundays	8:00 am – 4:00 pm
Northside Produce Market	Miller and McLaren Streets	26 km	Organic products	1st – 3rd Saturdays	8:00 am – 12:00 pm
Twilight Food Fair	Miller and McLaren Streets	26 km	Hot food and live music	Fridays	5:30 pm – 9:30 pm
That Great Market Lindfield	9 Wellington Road	21 km	Gourmet food – art	3rd Sundays	09:00 am – 2:00 pm

1. What are the general observations concerning the physical aspects of the location and attributes of the surrounding environment?
2. What are the general observations to the appropriateness of facilities to attract future demand?
 - (a) Concerning future demand, what sources are available to the SCTC?
 - (b) To attract these markets, what would you recommend for the SCTC?
 - (c) Outline specifically the differences between leisure markets and business markets.
3. What conclusions can be made as to the market opportunity for the SCTC, other than remaining as a training centre?
4. The site of the SCTC has several strengths, weaknesses, opportunities and threats.

Outline in a matrix what those might be.
5. What might be your top three recommendations for the owners concerning this facility?

Table 17.6 Calendar of the events and festivals in the Northern Beaches. (Reproduced from Northern Beaches Council)

Month	Event	Town/Area	Comments
January	Dee Why Big Breakfast	Dee Why	Hot breakfast, car and bike show
	Newport Surf Club	Newport	800 metre and 2 km pool-to-peak ocean swims
February	Manly Inflatable Boat Race	Manly	Beach charity event for all ages
	Australian Open of Surfing	Manly	Annual surf, skate and music event
March	Sun Herald Surf Swim	Dee Why	Raise funds for over 800 charities
	Bard on the Beach	Northern B	Outdoor theatre presents Romeo and Juliet
April	Anzac March	Narrabeen	Anzac march to Narrabeen Memorial Park
May	Pittwater Food & Wine Fair	Mona Vale	Gourmet food, cooking demonstrations and live music
	Guringai Festival	Willoughby	Aboriginal workshops, art exhibitions, films and talks
June	Manly Food & Wine Festival	Manly	Cuisines and wineries from NSW
	Let's Meditate	Newport	Relaxation and meditation classes on the beach
August	Northern Beaches Art Exhibition	Warringah	Art exhibition and competition
	Pub2Pub Charity Run & Festival	Dee Why	3–6 - 13 km course options
September	Stony Range Spring Festival	Pittwater	Advice and sale of native plants, walks, talks and music
October	Manly Jazz Festival	Manly	Australia's largest community based jazz festival
November	Northern Beaches Music Fest	Collaroy Beach	Annual not-for-profit community based music festival
	Mona Vale Market Day	Mona Vale	Food, drink and musical entertainment
	Avalon Market Day	Avalon Beach	Local artists and locally grown produce
December	Narrabeen Lakes Festival	Pittwater	Entertainment featuring live performances
	Palm 2 Palm Ocean Race	Northern B	International paddlers across all the racing disciplines

Research Activities

Presentation Regarding the information provided on their website, <https://sydney-conference.com.au/> Set out the benefits and features for potential customers to use this facility rather than a hotel with conference facilities. Then make a final assessment as to how this facility can position itself in the marketplace.

OR Using information from a company's website <https://sydneyconference.com.au/> discuss the nature of its distinctive competence. How does this competence help it to attain a competitive advantage?

Conclusion

The first step in determining the potential of a business is to determine product demand, existent and potential. Effective research reveals market characteristics and can identify future trends. This means analysing the broad environment in which the business operates. This case of the SCTC presents students with a large and complex series of facts to apply different theories and concepts of strategic management to put forward arguments about future investment in the site.

Teaching Note

Case Summary

The main objective of this case study is for students to understand the complexity of business decision making, strategic business planning and the formulation of business plans. Students can study the range of information provided and decide on a business. The conclusion that students need to make is to determine what future opportunities are open to the SCTC, and what recommendations can be made to the owners on future investment for this facility. Financial decision making is not included here, and this would be in the next stage of business planning when making decisions about new ideas and how viable they may be. This is an analytical case study.

Teaching and Learning Objectives

This case can support a range of learning objectives, focusing on gaining an understanding of strategic thinking. Students will learn to:

1. *Understand that a variety of information from multiple sources to make business decisions.*
2. *Evaluate the strengths weaknesses, opportunities and threats to support business planning.*
3. *Critically reflect on the basic principles of strategic management and strategic thinking.*

Target Audience

This case study gives undergraduate and postgraduate students practice in balancing a range of information about various aspects of a facility to assist them in making decisions related to business planning and strategy formulation. This case is suitable for small group discussion. Groups can be asked to answer the questions proposed and report on a series of recommendations, providing students with the opportunity to structure their thoughts on what they have learnt concerning the learning objectives.

Teaching Approach and Strategy

This case is best used toward the end of a strategic management course/subject, once you have presented a foundation to the topic of strategic management and necessary business planning. It will also be useful if you go over the first few topics of a strategic management course: strategic management process, external and internal analysis, competitive advantage and competitive strategy before this activity, and discuss the meaning of strategic thinking. You may want to begin the discussion by asking the question, "Why are some organisations more successful than others?" Inevitably, strategic management topics will emerge. You can then ask students to read the case individually before breaking them up into smaller groups and asking them to address the questions posed. You can then allocate questions to each group for feedback, or you could make it a competition and get the groups to present what they think the opportunities are for the SCTC, and what recommendations they would make to the owners concerning future investment.

Example Responses

General observations concerning the physical aspects of the location and attributes of the surrounding environment:

- Analysis of conference space and accommodation of the property and how it adds to the guest experience
- Initial observations of the site
- Observations of food and beverage facilities
- Review of entertainment and recreational facilities
- The aesthetic appeal of the property

General observations re the appropriateness of facilities to attract future demand:

- Analysis of the information re competitors and what they offer
- Analysis of demand in the general area and beyond
- Observation of attracting qualified people to join the team
- Marketing strategies

Conclusions as to the market opportunity for the SCTC, other than remaining as a training centre

- Social and Function demand
- Corporate
- Leisure demand
- Government demand
- Health and Wellness

SCTC has several strengths, weaknesses, opportunities and threats. Outline in a matrix what those might be:

S STRENGTHS	W WEAKNESS	O OPPORTUNITIES	T THREATS
Things that SCTC does well	Items that are lacking, resource limitations	Emerging needs in the area that SCTC can provide, what others cannot offer that SCTC has	Changing attitudes, location in general, better competitors

Presentation

Regarding the information provided on their website, <https://sydneyconference.com.au/> set out the benefits and features for potential customers to use this facility rather than a hotel with conference facilities. Then make a final assessment as to how this facility can position itself in the marketplace.

OR Using information from a company’s website <https://sydneyconference.com.au/> discuss the nature of its distinctive competence. How does this competence help it to attain a competitive advantage?

Features and Benefits are used as sales tools. A feature describes a fact or characteristic about a product/service and the benefit is aligned to your customer’s needs.



FEATURES
specific deliverables



BENEFITS
what will be achieved



ADVANTAGES
why and how against client needs

Further Research

Northern Beaches LGA <https://www.rdasymdney.org.au/northern-beaches-lga>
 Transport NSW <https://www.transport.nsw.gov.au/projects/b-line-bus>
 Visit Northern Beaches <https://www.northernbeaches.nsw.gov.au/things-to-do/visit>
 IBIS World Reports <https://www.ibisworld.com/au/industry/exhibition-conference-centres/1935/>
 Deloitte <https://www2.deloitte.com/au/en/pages/economics/solutions/tourism-hotelmarketoutlook.html>
 Northern Beaches economy and employment <https://economy.id.com.au/northern-beaches/unemployment>

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Chapter 18

When the Whole Is Greater than the Sum of Its Parts: Hotel Marketing Consortia as a Winning Strategy



Sofia Almeida, Thanasis Spyriadis, Carlos Costa, José Manuel Simões, and Ana Cláudia Campos

Abstract Constant transformations in societies, markets and industries lead to intensified competition between tourism organisations worldwide. Such phenomena caused a revolution in distribution in the tourism industry, and particularly in the hotel sector. Hotel Marketing *Consortia* (HMC) emerge as organisational arrangements able to help Small Independent Hotels (SIH) in achieving a competitive position, by gaining higher visibility and maximising revenue in international markets. HMC are key platforms in the hospitality market as communication and distribution channels, particularly in a digital and automated world.

This case study analyses the HMC business model in the context of 4 and 5 star hotels in Portugal. The focus is on three key areas: (i) managers' perceptions on the importance of affiliating with a marketing *consortium*, (ii) the factors valued in the specific choice of the *consortium*, and (iii) key challenges and success factors that CEOs deal with when they manage collaborative arrangements of international

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hotel consortia. The case study is supported in a scenario, in which a general manager of a 5-star hotel in Portugal faces key strategic decision dilemmas related to the three aforementioned areas.

Keywords Hotel marketing *consortia* · Affiliation · Distribution channel · Strategic collaborative partnerships

Introduction

Maria Salgado, 48 years old, turned off her laptop and packed it in her bag. She had to be in the office in 30 min to chair the monthly senior management meeting. As she was leaving her flat, she was still lost in her thoughts. She is the General Manager of the Herdade São Lourenço, a small independent 5-star hotel in Reguengos de Monsaraz in Alentejo, Portugal (see Fig. 18.1). Herdade São Lourenço is run by the same family for more than 200 years. The hotel has 57 rooms and is focusing on the American lifestyle market. The hotel, although with a long history and tradition of offering high quality hospitality services, seems to be facing some serious strategic challenges in the future. Competition is increasingly fierce and developments in marketing communications and digital technologies are significantly shifting the landscape. Maria, as well as the four senior managers of the hotel, have started

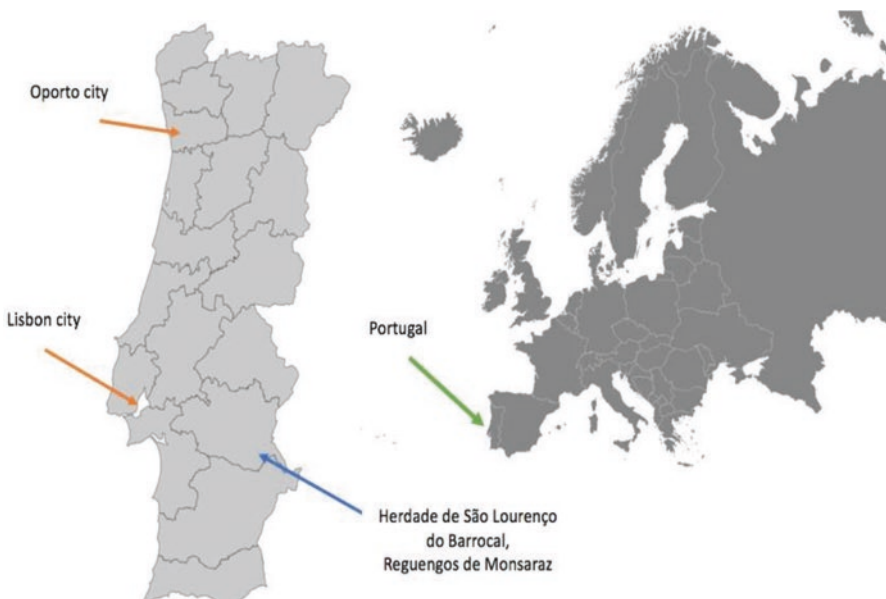


Fig. 18.1 Geographical position of the story protagonist in Portugal (right side) and Portugal in Europe (left side) (Personal collection)

contemplating the idea of joining an international Hotel Marketing Consortia (HMC) to boost their competitive advantage in international markets. The idea needs careful consideration as the resources and strategic capability of this small hotel are quite specific and the only option for a sustainable future is to develop and pursue a winning strategy.

Maria is particularly passionate for authentic travel experiences and is proud that her hotel is frequently praised in social media for offering authentic Portuguese hospitality to its visitors. Several of her department managers believe that remaining independent would help to maintain this precious value proposition that they offer to their guests. Nevertheless, Maria often sees every challenge as an opportunity in the market. This time, she is determined to examine every challenge that they face as a small hotel thoroughly and then seek ways to identify potential opportunities as well as calculate the relevant risks that remaining independent (as opposed to joining an HMC) would present to her hotel. What challenges is the business facing as a Small Interdependent Hotel (SIH)? Are they able to turn these challenges into opportunities? Can they do this on their own and if they do, what are the risks involved?

Herdade São Lourenço is currently an independent hotel, so Maria is well aware of the nature of this business. She also has extensive past experience as a senior manager of a hotel that was part of an international hotel chain. Now, Maria is curious about exploring the *modus operandi* of international HMC and several questions occupied her mind. What is the nature of their business? What structures do they have and who is involved? What is their strategic purpose? What marketing services do they offer and what strategic value do they add to their members? Are there any challenges involved in these partnerships? Understanding the business model of international HMC would help Maria decide if engaging in this partnership would be an interesting option to consider in order to improve the performance of the Herdade São Lourenço hotel in the international markets in the future.

The Business Model of Hotel Marketing *Consortia* (HMC)

The Nature of HMC

Hotel chains referred in the Anglo-Saxon literature as *consortia* are small private hotel groups and collections of hotels with specific product themes that focus their business strategy on targeting niche markets. A *consortium* can be defined as “an organization of individual trading units which combine for a common commercial purpose such as joint marketing services and purchasing” (Jafari, 2000). A *consortium* is seen as “a group of hospitality organisation that is allied for the mutual benefit for the members. Marketing is often the reason why *consortia* are formed. The *consortium* allows a property to be independent in ownership and management, while gaining the advantages of group marketing. An example of a *consortia* is

LHW” (Leading Hotels of the World) (Kotler, Bowen & Makens, 1996). *Consortia* are a very advantageous form of contractual agreement for independent hotels (Byrne, 1993). *Consortia* can also be seen as voluntary hotel chains (Martínez, 2008) and (Quesada & Ruiz, 2006), while the formation of cooperative groups or *consortia* between smaller and independent groups is studied since the 1960s (Buttle, 1986). “A hotel *consortium* is an organization of hotels which combine their resources to establish corporate management services such as marketing and promotional activities, purchasing, personnel and training (Roper, 1995)”, as well as to combine distribution and marketing in order to have access to known markets (Das & De Groote, 2008).

Practitioners call this type of collaborative arrangements ‘softbrands’ (Almeida, 2018; Holverson & Revaz, 2006; Slattery, 1991). According to this perspective, the purpose of a *consortium* is to develop joint value for its members in terms of purchasing, marketing and sales, recruitment and reservation systems. Hotel Marketing *Consortia* (HMC) allow member hotels to communicate in the most effective and efficient way in order to increase their visibility. Moreover, they grant members access to online sales platforms, provide them with global distribution systems (GDS) codes and presence in strategic online sales channels, whether online travel agencies (OTA’s), online distribution systems (IDS), aggregating websites (GD’s). The value of HMC lies on the power of their brand and their international reputation. HMC are prominent for independent hotels, which want to benefit, by association, from the positioning and the *consortia*’s strategic business model. These business models and value propositions simultaneously identify and differentiate them from competitors. For example, the value proposition of several HMC focuses on luxury, like Leading Hotels of the World (LHW), Small Luxury Hotels (SLH), and Preferred Hotels & Resorts (PHR). Others, like Design Hotels (DH), adopt a value proposition related to design, while Relais & Châteaux (RC) focuses on gastronomy. Moreover, Great Hotels of the World (GHW) concentrate their value proposition on the corporate market, while ARTEH Hotels and Resorts pretends to target art and boutique hotels. Each *consortia* member benefits from different services and proper values depending on the positioning of diverse *consortium*.

Marketing Services and Other Benefits Provided by HMC

HMC provide a number of benefits to the hotel member organisations, which are primarily marketing related. Each *consortium* offers different levels of service and charges different fees, the counterpart being to reach the desired target audience and provide a marketing and sales structure. In addition, to the sales component, marketing *consortia* provide (depending on their means and resources) the following services: advertising, public relations, direct mailing, participation in fairs and workshops, editing and distribution of manuals of member establishments (Quintas, 2006). They also provide other services, such as problem solving, product analysis, information on market situation or staff training programs (Almeida, 2018;



Fig. 18.2 Services provided by Hotel Marketing *Consortia*. (Source: Adapted from Almeida, 2018; Holverson & Revaz, 2006; Holverson et al., 2010; Knowles, 1996; Quesada & Ruiz, 2006; Roper, 1992; Slattery, 1985; Walker & Walker, 2013)

Holverson & Revaz, 2006; Roper, 1992; Slattery et al., 1985) (see Fig. 18.2). Overall, *consortium* members share a Central Reservation System (CRS), benefit from a common image, have a logo and a slogan and, in parallel, share discounts on purchases of large quantities and benefit from training management programs (Walker & Walker, 2013). HMC services additionally may include existence of sales offices in the more strategic regions: a website promoting the brand for all members and booking hyperlinks for each member, a directory that lists all hotel members, a sales team that establishes relationships between travel agents and tour operators for the Meeting, Incentives, Congress and Exhibition (MICE) market, participation in international tourism fairs to consolidate the brand, connection with the distribution systems and creation of opportunities for international contracts with travel agencies (Knowles, 1996).

After examining this information, Maria starts to consider the benefits of being part of an HMC for her own hotel. The services that the HMC offer seem to be quite extensive; however, she is not that easily convinced. Will her hotel manage to capitalise on all these opportunities? Which of these services align well with the strategic priorities of the Herdade São Lourenço hotel?

Maria considered the hotel's short and long-term strategy, already defined with her team in a meeting they had last January. Maria started to make an effort to recap the hotel's strategic priorities, as this would help her decision making: (i) to develop

the business in the American market, so choosing a HMC with a GDS directed to American travel agents could be a great achievement; (ii) to increase the average length of stay; for example, she knows that the luxury market tends to have longer stays at the hotel; and, (iii) to develop a wider contact network in order to diversify their customer portfolio.

HMC CEO Insights on Challenges and Success Factors of Strategic Collaborative Partnerships

Four months ago, Maria commissioned a consultancy company to conduct a number of interviews with regional senior executives and international directors of hotel organisations in order to explore their insights on challenges and success factors of strategic collaborative arrangements for hotels. The report with the results of this study arrived at Maria's inbox earlier this week. Maria had already carefully reviewed the consultancy report and was really pleased that the interviews revealed a number of very interesting insights, which included five key areas: motivations for collaboration, level of partner commitment, strategic flexibility, organisational learning, and, balancing payoffs.

Motivations for Collaboration

Overall, motivations for collaboration suggested by interviewees were achieving cost reductions in marketing and promotion, as well as revenue increase and general business development. For example, Interviewee 1 (I1) suggested that collaboration helps them "reduce the cost of promoting our business internationally. We produce a common directory that we distribute worldwide... we also promote it at exhibitions in various countries". It was also noted that "partnerships are important as they improve the hotel's brand image. This is particularly important for international markets. Of course, a hotel will need to make these partnerships meaningful. I mean, they should support their wider strategic objectives... like... which international markets to expand to. The hotel managers will need to be aware of the brand of the potential partner... does it fit strategically with the hotel brand?" (I1).

Moreover, it was noted that "different market conditions, for instance strong domestic competition, mature markets, and the move of main competitors are also significant in determining the strategic objectives pursued by collaborations among hotel chains in various geographical regions" (I3). Nevertheless, consolidation within the international hotel industry has been suggested as the source of a hostile environment for hotels. Moreover, the relatively recent technological developments in global distribution systems and the internet have supported the trend towards collaboration. As an interviewee suggested, "during periods of low demand they are

able to compete with other hotel companies that participate in partnerships with other hotel chains with an international presence and that share a common global distribution system. This provides access to a global market and supports bookings internationally” (I1) and added that “every hotel chain that aims for the international expansion of its business activities is attracted by the development potentials of collaboration” (I1).

Maria could see clearly that most of the motives to engage in collaborative arrangements, as presented by the interviewees in the consultancy report, were relevant to the Herdade São Lourenço hotel as well. She was more worried about the challenges and success factors that were identified in the consultancy report, which included the level of team and partner commitment required; strategic flexibility; organisational learning; and, balancing payoffs.

Level of Partner Commitment

Partner commitment can be reflected in the commitment of managerial and wider organisational resources. Partner commitment can vary from “the use of a logo to financial commitment and anywhere in between. It can be distribution help, mailings, and especially nowadays with the extended use of the internet, it is easier to start electronic mail (e-mail) lists and web sites featuring the product’s name and logo” (I1). Specifically, for HMC, partner commitment includes (I3) “payment of an entrance fee or an annual fee from members”. Ultimately, “the truth is that the more a partner hotel commits to the success of the partnership, the more likely it is that everyone achieves their strategic objectives {...} we spend a lot of energy in relationship management as we are trying to ensure that there is no opportunistic behaviour and that they all get an equal or at least fair benefit” (I1).

Strategic Flexibility

In order to secure a more efficient or productive evolution of the relationship, interviewees suggested that partners need to set up formal structures and agree on a “collaborative mission”. These governance mechanisms will need to be supported by core capabilities, clear operating principles, day-to-day guidelines, accountabilities and metrics. In addition, the governance would need to be “flexible and adaptable to change”, while “a positive approach by the partners to any conflict is critical” (I1). Furthermore, it was suggested that “the systems and processes that support the collaboration are set at an early stage in a partnership agreement. Controlling your organisation is one thing, but controlling the partnership is another... often a more difficult one! It challenges your leadership skills... Sometimes it is not something that can be easily controlled, like differences in regulations across borders or the rate of change in various markets around the world” (I1). Importantly, it was noted

that “partnerships vary greatly in terms of their governance structures” (I2), which should be expected as “every partnership should have a tailored governance model, depending on the profile of the participants... and... the nature of the relationship” (I3).

Maria was certain that they did not want to lose the benefits of being an independent hotel. She wondered: How do we make sure that engaging in a partnership does not affect our strategic flexibility?

Organisational Learning

Senior executives interviewed suggested that “organisational learning can help a hotel company develop its ability to collaborate and maximise such opportunities in the marketplace” (I1). Moreover, “experience in collaborations can help a hotel business develop and improve internally... its processes and its capacity” (I3). However, a less positive view suggested that “demonstrating organisational learning in a collaborative partnership is not considered highly significant for the international hotel sector. What is significant is that the management teams fully understand what is going on” (I2). Nevertheless, organisational learning is important as it supports each partner maintain the agreed quality standards. For example, I2 argued that “hotels have to spend financial and managerial resources on keeping the carpets clean or the decorations to a certain standard, as well as the quality of the food, of the service, of the accommodation and all the amenities in the hotel”. Ultimately, organisational learning (during collaboration) can protect the hotel brand by not only maintaining, but also improving, quality standards. By being part of the partnership, the hotel brand develops a strong association with specific standards of quality. It was noted that “quite often we have specific teams ... that sometimes act as ‘mystery shoppers’ ... that conduct regular checks on the quality levels delivered in hotels” (I1).

Maria was convinced. Engaging in a collaborative arrangement would need to be done in a way that all the team was open to new ways of thinking, as well as to be willing to learn and do things differently. After all, despite the fact that all the senior management was proud about the quality of service they offered and the strength of their hotel brand, engaging in an international HMC would present a brilliant opportunity to advance even further their value proposition.

Balancing Payoffs

Balance in payoffs was discussed as an important factor for effective collaborations. As a senior manager suggested, “it has to be a win-win for all” (I1). However, the interviewee also added that “sometimes, this is easier said than done! We have seen

some cases where there are so many differences between the partners that it is very hard to find some common grounds to collaborate. It seems that it is easier to have a smoother partnership journey when the hotels are of similar size or more or less have similar aspirations, like entering the same new market. Then again, it depends on how long it takes each partner to achieve their strategic objectives associated with the partnership” (I1). Although reaching this balance can be a challenge, pursuing it is critical. As one interviewee said, “well, how can you balance payoffs between partners? ...not sure... probably you cannot... well, each partner will see the achievements of the partnership with a different viewpoint. Therefore, it seems too optimistic to seek balance in payoffs. Plus, every partner... as a business... is affected by different factors ...potentially. I don't think you can realistically seek for balance... but it is worth trying” (I3).

Maria realised that it would be very important to examine carefully the other hotels involved in the partnership, as this would potentially influence the balance of payoffs in the relationship. They would need to pay attention to key areas like strategic objectives, motives and aspirations. She felt that this would be a key challenge for the team.

After reviewing the consultancy report findings, Maria felt she was in a better position. She could understand a bit better the opportunities and challenges involved in collaborative arrangements. Some of the insights were not quite straight forward as her hotel is not already part of a consortium and she could not identify with them. However, she felt that the information provided would help her make a more informed decision if joining a consortium was a good option for the Herdade São Lourenço hotel in order to increase visibility to international markets and ultimately increase sales. There was also a great opportunity to not only consider external opportunities (macro environment), but also internal ones (e.g. staff training, employee learning and development, etc.) within the organisation (micro environment).

As Maria arrived at the parking of the hotel, she wondered what the reactions will be when she presents all the aforementioned information at the senior management meeting in a few minutes. The meeting will be attended by the four senior department managers of the hotel. She expects to see some positive and some negative reactions to these ideas. However, she was determined to ask all the participants of the meeting to carefully consider the information available. Moreover, she will ask them to analyse in detail the profile of seven international HMC (see Appendix 1), which includes information about the origin of each *consortia*, its history, its members and its branding philosophy. Ultimately, Maria believes that they have gathered all the information they need to make this important decision. They need to analyse all this data, exchange and debate their ideas and make final decisions on whether they should engage in an HMC affiliation, which will be the best *consortium* to engage in, as well as how to make the most of this partnership engagement?

Conclusions

The hotel supply in Europe is made up mostly of small independent hotels, and Portugal is no exception to this. In an era dominated by the new digital technologies and worldwide online communication, *consortia* play a decisive role in the hotel sector. The objectives of this study are: (i) to examine factors valued by hotel managers when selecting HMC over any another type of affiliation; (ii) to analyse the perceived value of factors in the specific choice of the current *consortium*, and (iii) to explore key determinants of success of these strategic collaborative agreements between hotels. Hotel marketing *consortia* fulfil a number of functions in relation to affiliated hotels, namely: (i) to provide access to resources inaccessible to independent hotels, (e.g. operating systems, reservation software and privileged relationships with travel agents and tour operators); (ii) to guarantee the survival of small hotels providing them with tools and mechanisms so that they can develop competitive advantages; (iii) to facilitate access to niche markets, and (iv) to serve as a promotion and distribution channel. Notwithstanding, there are a number of critical success factors that affect the collaborative arrangements of hotels. These factors include motivations for collaboration, level of partner commitment, strategic flexibility, organisational learning, as well as balanced payoffs. This case study offers insights into a better understanding of the hotel affiliation process to an HMC, including the most valued factors to choose a *consortium*. In addition, this case study serves as a guideline for managers to understand hotel decision makers' perceptions.

Appendix

Hotel Marketing Consortia

Consortia operating in Portugal that met inclusion criteria were considered in the study. Criteria used were: (i) at least one citation in the international literature in the last 7 years; (ii) reference by experts in the interviews; (iii) ownership of a CRS platform, and (iv) exclusive supplier of GDS code.

International Hotel Marketing Consortia ARTEH – Hotels and Resorts

History

ARTEH - Hotels and Resorts is a hotel marketing *consortium* based in Lisbon, which, by the time of its creation in 2000, operated in the areas of management, exploration and hotel consultancy. The company granted the franchise of its brand

and concept to develop or renovate hotel units, allowing creation of profitable spaces with an exclusive design. In 2003, the company changed its core business, abandoned consulting and operating hotels and repositioned as a *softbrand* hotel chain combining independent hotels, resorts, charm, luxury, design or history.

ARTEH® operation is based on promotion, marketing and IDS/GDS distribution of hotels, resorts of charm, luxury, design or history. The objective is increasing visibility and direct and indirect reservations through CRS, facilitating the process of hotels making their rooms available for online sales on multiple channels. The *consortium* manages an inventory of rooms and prices through a back office. This service is called CRS ARTEH.

Members

ARTEH has 137 members spread across 12 countries (www.arteh-hotels.com).

Branding

ARTEH's branding is supported by the following set of services and tools: presence at national and international fairs; sales call organization; joint work with foreign representatives; organization of training actions; organization of thematic workshops; press office - publication of articles and reports organization of fam trips and press trips; directory production; launch of hotels; ARTEH® website (www.arteh-hotels.com); *consortium* themed websites; centralized reservation system CRS and distribution; provision of channel managers; supply of GDS code; AdWords campaigns on Google; profile management on social networks and initiative design; creation and promotion of partnerships; organization of corporate events and brand activation.

Leading Hotels of the World

History

Leading Hotels of the World (LHW) was founded in 1928 as a boutique referral association by a small group of European and Egyptian hoteliers (LHW, Membership). The 38 initial members believed in the importance of establishing direct contact with travellers and distribution channels, namely the travel agencies for the North American market. For this reason, the founders opened an office in New York, calling this satellite operation "Hotel Representant, Inc." – or HRI. In 1960s, HRI represented 70 hotels, all located in Europe. In 1971, the board of directors and management of LHW, Ltd. decided to expand the scope of the organisation, extending its activity to new members from around the world to respond to the

increasing demand of international luxury travellers (Roper, 1992). The *consortium* has internationally promoted a central reservation system and directories for global groups through 18 sales offices. It developed an additional leisure program, entitled “Great Affordable”, allowing end users to save room rates, tour prices and dinners as member hotels (Roper, 1992). In the 1980s, there were 235 LHW, assisted by offices in the United States, Europe, Asia, Australia and Latin America.

According to Vallen and Vallen (2009), LWH is the largest collection of luxury hotels in the world with more than 430 properties spread over more than 80 countries. The brand also targets the golf and spa segments, and the website allows choosing the hotel according to the following categories: All inclusive; award-winning restaurants; Beach; children’s programs; fitness; meetings & events; pet friendly and snow. According to the LHW portfolio (2012), the *consortium* competitive set is composed of Preferred Hotels, Four Seasons, Luxury Collection, Ritz Carlton, St. Régis, Small Luxury Hotels.

Members

Leading Hotels of the World comprehends 430 hotels in 75 countries (www.lhw.com).

Branding

Main services offered by the brand are: sales; marketing services; reservations and distribution systems support of operational services (LHW – membership portfolio) sales offices and sales support groups; advertising; loyalty programs; partnerships; database marketing, public relations; Internet booking engine (IBE) Mobile IBE/Facebook booking widget; CRS & PMS; total distribution service; customer satisfaction by questionnaire; social media campaign feedback tools; quality control support assistance; quality assurance programs; training institute.

Relais and Châteaux

History

Relais & Châteaux is a French *consortium* that represents hotels and incorporates restaurants as members. The two activities operate in different markets (although hotels compete with their own restaurants) (Roper, 1992). This *consortium* started its activity in 1954 with only eight hotels located between Paris and the French Riviera, which joined forces for joint promotion. Marcel and Nelly Tilloy, a couple of musical artists who owned La Cardinale, a hotel and restaurant on the right bank of the Rhone, came up with the idea of advertising eight properties under the slogan ‘*La Router do Bonheur*’.

Eight authentic hotels and totally different, each with its own personality, placed on the road from Paris to Nice, were united by common values: quality amenities, excellent restaurants and their own particular ideas about *'the art of living'*. This union of spirits merged to create the largest hotel association: Relais & Châteaux guided by the motto of its founder Marcel Tilloy: "Hoteliers, restaurateurs must speak from the heart". Meanwhile, the *consortium* expanded to Spain and Belgium and in 1975 outside European borders. Relais & Châteaux has presently more than 500 hotel units operating in 60 countries (Holloway & Humphrey, 2012).

With regard to services provided in the area of branding, R&C offers its members a worldwide group directory, international and national sales offices, as well as a central reservation system. The *consortium* promotes the 'exclusivity' of its members, i.e. being a member of R&C excludes affiliation with another *consortium*. If a hotel wishes to affiliate with Relais & Châteaux, an entry fee of more than EUR 10,000 and an annual payment (marketing annual fee) of a similar amount are required. Audits are carried out every 3 years, through a mystery client to ensure that the hotel continues to maintain the brand's quality requirements. In return for this investment and effort, the hotel benefits from being associated with a strong and well-known brand with extensive work in the area of marketing, brochure production and sales and reservations generation, using new technologies through the Internet and mobile devices (Holloway & Humphreys, 2012).

Members

Relais & Châteaux has 549 member hotels spread over 61 countries; 739 restaurants, of which 342 are Michelin-starred chefs (www.relaisandchateaux.com).

Branding

R&C branding is supported by the following set of services and tools: reservation-center; sale of vouchers; sales support promotion; public relations; press office; support for international promotion (fairs and sales calls).

Preferred Hotels

History

Preferred Hotels is an American *consortium* that operates worldwide in the leisure and business segments. The company was founded in 1968 by 12 American hoteliers. In 1979, the company started its international expansion with 14 European members and its first member in Asia Pacific.

Preferred Hotels offers an in-house booking system and links like Delta Airlines' frequent flyer program to provide specific services to customers participating in the loyalty program, whose goal is to help members compete with larger hotel chains and create a points-based system with rewards for members. As stated by the president of the Preferred Hotel Group, Lindsey Ueberroth: "It's changed the way we're able to compete with something that the hard flags have that we didn't have in the past" (Sullivan, 2016). One of the company's added value is contract with flexible terms and fees that are less expensive than the competition. The amount to be paid to be an affiliated member of the Preferred Hotel Group is 3.7% of the gross revenue of the rooms and the average duration of the contract is 5 years (Sullivan, 2016).

Preferred Hotels and Resorts Worldwide segments the business through the following brands: Summit, Sterling, Boutique and Preferred. *Consortia* consolidation follows the movement of the entire industry through the search for partnerships (Vallen & Vallen, 2009). According to Ueberroth, "We look at it as a partnership," and adds, "It's our job to be an extension of what they're doing on property and be more consultative whereas with a hard chain it's very mandated, strict, and rigid" (Sullivan, 2016). Preferred Hotel Group services groups independent hotels by its brands, Preferred Hotels & Resorts, Legend; LVX; Summit Hotels & Resorts, Preferred Boutique; Connect and Sterling Hotels and Preferred Residences. Additionally, members are also segmented according to different products in order to help create differentiated experiences to customers

Members

Preferred aggregates 648 members, distributed in 85 countries (<https://preferredhotels.com>).

Branding

Preferred branding is supported by the following set of services and tools: sales; marketing; distribution; quality advice and support in the search for technological solutions.

Design Hotels

History

Design Hotels was founded in 1993 as California Corporation, Design Hotels Inc. by J. Peter Schweitzer and Claus Sendlinger. Claus was a partial owner (with Hans Peter Knodler). In 1998, the two companies were consolidated under the holding Lebensart Global Networks AG. In 2001, the brand went through a rebrand process, and the name became Design Hotels with 23 initial member hotels.

In 2004, after several relocations from the Arizona, California headquarters to New York City, the company established its headquarters in its current location in Berlin, Germany, under its current name, Design Hotels. Based in Berlin, the *consortium* has representative offices in London, Barcelona, New York, Singapore and Perth, Australia. With regard to the distribution model, Klumbis and Munsters (2010) refer to Design as a soft brand: organisation of independent hotels (Ayazlar, 2016). Design hotels has its hotels divided into the following categories: mountain and snow hotels; city hotels; beach hotels, eco luxury hotels; yoga hotels; spa hotels and family hotels. The necessary characteristics to be a member of the Design Hotels *consortium* are:

- *Design*: an interior with attractive design in line with contemporary movements, styles and fashion designers. Some member hotels have cooperation partners with brands: Armani, Lauren, Bulgari and Versace.
- *Good taste*: in some areas the characteristics of cool or minimal design are emphasized.
- *Small properties*: small hotels have typically been transformed from historic buildings.

Members

Design Hotels integrates 288 member hotels in 56 countries (www.designhotels.com).

Branding

Design's branding is supported by the following set of services and tools: marketing and branding accessories; development of the hotel product; sales support; hotel management; creative services and public relations. The *consortium* operation and strategy are focused on different types of communities: community of members design hotels; consumer community; community of traveling professionals and media community.

Great Hotels of the World (GHOW)

History

Great Hotels of the World (GHOW) is a hotel representation company that was born in 2006 in London. Currently, the company calls itself softbrand 3.0 claiming the business model goes beyond the normal reach of other softbrand affiliations, since most softbrands are concerned with reservations made through their own distribution

channels. In the case of GHOW, the entire team is dedicated to increase the business through all hotel distribution channels, including the hotel's own website, social and mobile channels, which is made possible through access to technology, marketing expertise and vision. In terms of technology, the bet of GHOW was placed on the introduction of G-rez in the market. This is a new GDS and Internet reservation system (it has contributed to the increase of its offer in China). The company also introduced a loyalty program, another tool to add to the existing ones, which help independent hotels to compete with major hotel chains. GHOW includes hotels of the following categories: spa hotels; golf hotels; romantic hotels; family hotels; event and incentive hotels; corporate hotels. In 2016, GHOW was purchased by the company Guest centric, a digital marketing software company for hotels. The group also joined Evolution, a company that provides digital services and in a personalised way. Set of new services that GHOW provides to its members.

Members

Great Hotels of the World (GHW) supports 250 member hotels spread over 58 countries (www.ghow.com).

Branding

Great Hotels of the World (GHOW) branding is supported by the following set of services and tools: reservation centre; sales and marketing services; innovative technological solutions, e-marketing activity, presence at tourism fairs, sales incentives and events, public relations and forums.

Small Luxury Hotels (SLH)

History

Small Luxury Hotels (SLH) is focused on building an image of hotels aimed at the luxury market, but in a personalised way Holloway & Humphreys (2012). As well as Design Hotels and Epoque Hotels, both specialising in contemporary design and lifestyle (Holverson et al., 2010). Klumbis and Munsters (2010) state that the SLH model is a voluntary hotel chain.

SLH has predefined standards based on a 'mystery client' program that simultaneously confirms that sustainable standards are implemented and respected (Ayazlar, 2016). Fyall & Garrod, 2004 pinpointed that the different *consortia* take different positions regarding the marketing strategies, e.g. the SLH encourages its members to participate in the management decisions.

Members

Small Luxury Hotels (SLH) includes 520 member hotels in 72 countries (www.slh.com).

Branding

Small Luxury Hotel's (SLH's) branding is supported by the following series of services and tools: targeted marketing programs; joint brand advertising, sales support, social media campaigns.

Teaching Note

Introduction to the Teaching Notes

These teaching notes are created to support the case study “When the whole is greater than the sum of its parts: Hotel Marketing *Consortia* as a winning strategy”. They aim at assisting tutors in teaching Level 6 (final year undergraduate) and Level 7 (postgraduate) students. The content of the case study focuses on Hotel Marketing *Consortia* (HMC) as strategic collaborative arrangements of independent hotels that strengthen their competitive position in the international markets.

Tutors can achieve the teaching objectives and learning outcomes (section 3 below) with a variety of teaching strategies. For example, they can set up only one seminar session, focusing on all teaching objectives (objectives 1–5). Alternatively, they can organise separate seminar sessions, each focusing on one (or a combination) of the five teaching objectives (e.g. seminar 1 focuses on objective 1, seminar 2 focuses on objective 2 and so on).

Case Summary The twenty-first century presents several challenges to the world economy, and consequently to the tourism industry. Developments in Information and Communication Technologies (ICT) and the Internet of Things (IoT) has resulted in a major transformation on how companies communicate with their consumers (B2C) and distribute their products and services.

The European hotel market is mainly constituted by small and independent hotels. This case study examines the phenomenon of HMC in the context of Portugal, a small European tourism destination, by exploring hotel managers' perceptions about *consortia*. The insights that can emerge from this analysis are easily transferable to the context of small hotels in other European countries or indeed internationally.

This case study focuses on how to tackle key strategic dilemmas of small independent hotel managers: remaining an independent hotel or affiliating to an HMC brand. Considering the second option, the strategic dilemmas evolve around the type of affiliation, who to partner with and how to make the most of the partnership agreement. This specific case focuses on small Portuguese independent hotels, which face similar strategic dilemmas. Importantly, this case study examines the key factors that influence the choice of a specific consortium. Essentially, this is a B2B case study, and relevant perspectives of demand and supply will be analysed accordingly, namely the hotel managers' perspective (*consortia* members) and the *consortia* perspective. Through the lens of strategic marketing management analysis, key challenges and success factors of collaborative arrangements as perceived by senior managers will be presented and put forward for analysis and discussion.

The purpose of this case study is to examine perceptions of hotel managers and *consortia* managers pertaining to international *consortia* as a business model and their importance in supporting strategic management and positioning of small independent hotels in the contemporary global business environment. The specific objectives of this study are: (i) to examine factors valued by hotel managers when selecting HMC over any another type of affiliation; (ii) to analyse the perceived value of factors in the specific choice of the current *consortium*; and (iii) to explore key determinants of success of these strategic collaborative agreements between hotels. The case study scenario involves the manager (i.e. Maria Salgado – a fictional person) of a small independent hotel in Portugal. It should be clearly disclaimed that any similarity to name, character, and history of any person is entirely coincidental and unintentional.

Teaching Objectives Learning Outcomes

Five teaching objectives (or learning outcomes) can be achieved by students who use this case study:

1. ***Examine the success factors and debate the challenges of collaborative arrangements for small independent hotels.***
2. ***Develop the ability to formulate strategic objectives for collaborative arrangements of small independent hotels.***
3. ***Explore the concept of a Communication Channel in the marketing mix and apply it to the hotel sector.***
4. ***Examine the concept of a Distribution Channel in the marketing mix and apply it to the hotel sector.***
5. ***Explore the various marketing services provided to hotel members by HMC***

Target Audience

This case study can be used to teach third (final) year and postgraduate students who study hospitality and/or tourism management programmes. In order to complete the case study tasks, students will need to have prior knowledge and understanding of:

1. Dynamics of the tourism industry and the specific characteristics of the hotel sector.
2. Principles of marketing management (e.g. marketing mix, branding, etc.) and their application to the hotel sector.
3. Key trends (both demand and supply) in international hotel markets.
4. Principles of strategic management (e.g. strategic purpose; strategic objectives; strategic leadership, etc.).
5. Principles of stakeholder theory, as well as collaboration theory (e.g. interconnections between organisations, maximisation of value, collaboration process and outcomes, etc.).

Teaching Approach and Strategy

Students can work on this case study individually or in small groups. Students are asked to read the case study before seminars. During seminars, they will be provided with the scenario and questions below (section 7), depending on the teaching objectives of each seminar session. The recommended time to allow students to work on the case study questions and to complete the tasks is about 35–60 min (depending on the teaching objectives). Then, students will be asked to present their answers in the class (approximately 10 min for each student or group of students). The session will end with a tutor providing feedback to students, potentially leading to an open discussion in class.

Scenario and Questions

Maria faces a number of strategic dilemmas (as introduced in the case study). She now wants to discuss these dilemmas in the meeting that she has arranged with the four senior department managers of the hotel. In preparation for this meeting, Maria had also reviewed the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis of the hotel and was prepared to present to the senior managers the key strategic decision to expand their business internationally to the Canadian market. She was convinced that the Canadian market is a mature and sophisticated one; however, she was planning to ask them to consider the potential of a partnership with hotel *consortia* as a mechanism for this expansion. Maria was specifically going to ask them:

1. What will be the key benefits of engaging in a partnership with an HMC?
2. What are the key challenges and factors that can affect the success of an HMC partnership?
3. Which HMC would they recommend their independent luxury hotel to join?
4. What are the most important marketing services provided by this HMC to its hotel members? Discuss their potential to support the objectives of increasing visibility and sales to the key target market(s).
5. Which strategic objectives would they propose for this partnership?

You are asked to act as Maria's senior management team.

Prepare your answers for the above questions in the next 60 min.

Present your answers in the class – 10 min for each student/pair of students.

Example Responses

Sample answers for the scenario are:

1. What will be the key benefits of engaging in a partnership with an HMC?
 Motivating factors for collaborations of hotels depend highly on specific market conditions of the particular organisation. These factors include reduction of business environment uncertainty, cost reductions in marketing and promotions, revenue increase, business development.
2. What are the key challenges and factors that can affect the success of this partnership?
 Engaging in a partnership with an HMC will have various challenges at different stages of the relationship lifecycle. These can include the level of partner commitment; strategic flexibility; organisational learning; balancing payoffs, and partnership evolution (e.g. initiation, development and termination).
3. What are the most important marketing services provided to hotel members?
 There is a list of various services provided to hotel members (Fig. 18.2). Students should choose them, depending on the objective. If the hotel member aims to augment brand visibility or increase sales, for example: to augment brand visibility – Print a directory with all members and distribute it to tour operators and at principal international tourism fairs.
 To increase sales – Loyalty Program. Develop a loyalty program in order to attract your consumers and award them with amazing benefits provided from cross-selling brands.
4. What strategic objectives would you propose for this partnership?
 The strategic partnership objectives proposed will need to link to the motivations for engagement in these partnerships (as discussed in the case study scenario). In addition, the strategic partnership objectives will need to be specific, measurable, attainable, relevant, and time-bound (SMART) and aligned with the overall strategic mission of the organisation.
 Key outputs of the task:

1. A number of relevant SMART strategic objectives for the partnership.
2. Key considerations of strategic importance that include overall rationale for collaboration in alignment with the organisation's mission; collaboration life-cycle phases; among others.
3. Presentation of the student suggestions in class and discussion.

Suggested Readings

All the reading sources for this teaching activity are included in the references of the case study.

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Chapter 19

The Case of the Hogtown Hotel: Asset Management in Hospitality



Gabor Forgacs

Abstract This case study of a fictional 200-room capacity hotel presents a challenge for an Asset Manager who is charged with the task of optimizing the financial performance of this property.

The Hogtown Hotel's performance metrics and its Summary Income Statement will have to get analysed, areas of improvement identified and recommendations for implementing changes have to be proposed, substantiated by a new Summary Income Statement for the following year. The case requires an examination of the data provided for the market performance of the Hogtown Hotel versus its competitive set and the interpretation of Key Performance Indicators. The recommendations for improvements need to be data driven. A 2019 Summary Income Statement is provided, which requires an analysis to identify areas of improvement. Students are invited to prepare a new proposed Summary Income Statement for the following fiscal year that demonstrates measurable improvements in asset performance.

Keywords Hospitality asset management · Data-driven decision · Hotel profitability · Hotel management · Market performance · Key Performance Indicator (KPI) · Financial statement analysis

Introduction

The management of PropREIT, a Real Estate Investment Trust specialised in Canadian commercial real estate, has followed up on the directive of its Board of Trustees to diversify its portfolio of commercial real estate assets and decided to acquire some hotels. The REIT had carefully assembled its current portfolio of commercial real estate assets over the years focusing on primary and secondary markets. The low-risk nature of these commercial buildings was an important factor

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in the selection process for acquisitions. An upside potential for value appreciation in the potential value of these assets coupled with a steady income stream from long-term leasing contracts have always been decision driving factors.

Based on the above, safeguarding and growing the capital of its investors were accomplished successfully. The REIT's portfolio so far contained mostly office buildings and a couple of carefully chosen shopping malls in the suburbs of urban metropolitan areas over the years. The management of the operation of these properties was outsourced through management contracts.

The REIT had a dedicated division to negotiate and manage the long-term lease agreements with its corporate tenants. These were business-to-business negotiations resulting in securing 5-year or even longer-term lease contracts on occasion.

The recent decision to diversify the asset base was not totally unexpected. Following the annual performance review of the REIT, The Board of Trustees was content that the REIT had secured its financial position to the satisfaction of its investors and the time was right to consider the acquisition of some assets that were in the more volatile hospitality sector but offered a higher yield-generation potential. It was recognized that the hospitality real estate sector was cyclical and based on longitudinal data it was performing better than other asset classes during good times, but it performed worse than others during economic downturns. These considerations led to the examination of hospitality assets, more specifically hotels.

Commercial hotels became investment-grade assets by the last two decades of the twentieth century. Well-constructed and professionally managed hotels located in key markets were able to meet all the criteria for asset value appreciation and annual income generation. The nature of the hotel business was fundamentally different than managing other commercial real estate: in an office building a whole floor could be leased for several years after successfully securing a corporate client that signed a lease agreement. It was very different than finding guests for a hotel as each room each night was up for sale.

After examining the pros and cons the management of the REIT was confident that hotel assets can complement well the REIT's existing asset base. There was an expectation that a new dimension in income generation can be also created if the acquired hotel assets performed well.

However, the Board's directive required a carefully executed gradual entry into an unfamiliar sector. It was suggested to test the waters by acquiring one midsize hotel asset first and monitor the performance of the asset carefully, before allocating a larger capital base to possibly acquiring a whole chain of hotels in the future.

Findings

Kelly Bright was the Asset Manager who got the call at PropREIT. She was assigned to oversee the newly acquired hotel as a sector specialist. Kelly held a degree from an undergraduate program that earned her a Bachelor of Commerce with Honours in Hospitality and Tourism Management. Kelly Bright was a recent hire of the REIT

and she was excited to get this opportunity to demonstrate her skills in value creation. She embraced this challenge with eager anticipation. She felt she was ready to champion this entry into the yet uncharted territory for the REIT in managing hospitality industry assets. Kelly knew that the success of her hotel depended on reaching and possibly exceeding the asset performance targets set by the REIT. The first step was the acquisition of a hotel property that promised a good fit for PropREIT.

Kelly placed a call to her alumni friends at Colliers Hotel Realty and asked them to help securing the acquisition of the right hotel property. The hotel brokerage of Colliers was one of the most experienced high-profile firms that was well positioned in the hospitality real estate sector.

Russel, the Senior Director at Colliers was delighted to get Kelly's call. After he learned from Kelly the rationale of the acquisition, he got down to work. Once he developed a shortlist of available properties, he discussed the possible deals with Robin, his Vice President before presenting Kelly the opportunities. The carefully assembled list of hotel properties up for sale in key markets seemed to be a good fit and met the REIT's timeline, strategic objectives and budget allocation. Kelly analysed the prospectus of each asset. She considered location, size, market performance, the physical state of buildings and even discussed vendor motivation as well with Russel.

With an emphasis on TTA (Trailing Twelve Month) performance and factoring in upside potential, the 200 room Hogtown Hotel was selected. Based on the Market Segmentation Summary of the previous fiscal year, this hotel underperformed its competitors within its competitive set, however, it still generated an acceptable level of profitability. The negotiation of the sales agreement was conducted in a timely manner, and the deal was secured to the satisfaction of all parties involved.

The Hogtown Hotel was located in the industrial suburb of an urban metropolitan conglomerate in Ontario, Canada, with a well-established market presence. The building was 12 years old and well maintained. The owner of the building was a family well known in the hotel industry for smart and opportunistic investments in secondary market properties. They developed a portfolio of more than a dozen focused-service hotels that they tended to keep independent. The Hogtown was the only non-affiliated hotel within its competitive set of six hotels. The owners were now ready to move on and seize new development opportunities, so they needed the capital from the sale of the Hogtown Hotel for growth financing. Kelly trusted Colliers with their assessment of fair market value for the Hogtown. The deal was negotiated by expert brokers and it closed on December 31st at \$38.5 M which resulted in \$192,500 per room and a cap rate of 5.64% (Cap rate = Net Income/Acquisition Price).

The Board of the REIT was pleased with the acquisition and after the necessary approval of all levels, Kelly got down to work. She was the new Asset Manager in charge and Kelly wanted to sit down with the operations management team of the Hogtown well prepared. Kelly had to rely on her studies in Revenue Management, Front Office Management and Marketing about key performance indicators (KPIs) that reveal the annual occupancy of a hotel coupled with the average daily rate

(ADR) the hotel charged during that period. These metrics combined will result in a most meaningful metric the RevPAR of the subject hotel, which can help Kelly understand how this hotel lives up to its revenue generation potential. Kelly remembered that the maximum RevPAR would only be generated if each room would be sold each day at full rates, which rarely ever happens in real life. It was still important to gauge how the Hogtown measured up compared to its competitors within its market. Kelly hoped she would be able to arrive at some conclusions and think about recommendations for improvements, equipped with this knowledge.

Kelly was glad she kept some of her textbooks that she was able to consult for refreshing her memory:

- Hotel Asset Management,
- Hospitality Industry Managerial Accounting,
- Managing Front Office Operations, and
- Revenue Management. Maximizing Revenue in Hospitality Operations.

These old textbooks included all the key concepts that Kelly needed to tackle the issues at hand.

She had analysed the data she was given full access to. The key performance indicators (KPIs) for the previous fiscal year of 2019 were freshly available. Kelly took to her tablet to see the data (Table 19.1):

The RevPAR Performance Conundrum

Kelly refreshed her memories in RevPAR calculation from her old class notes and she identified occupancy being the key variable in driving a less than satisfactory RevPAR performance. It was natural for her to begin the thinking process about

Table 19.1 Segmentation summary – Hotel Hogtown vs. Competitive set 2019

Segmentation summary – Hotel Hogtown vs. Competitive set 2019							
Transient	Group			Contract		Total	
<i>Occupancy (%)</i>							
Hogtown	38.4	My hotel	24.1	My hotel	2.0	My hotel	64.5
Comp Set	47.5	Comp set	19.0	Comp set	4.2	Comp set	70.7
Index	80.8	Index	126.8	Index	47.6	Index	91.2
<i>ADR (\$)</i>							
Hogtown	162.5	My hotel	126.2	My hotel	132.8	My hotel	148.0
Comp Set	156.1	Comp set	128.2	Comp set	129.5	Comp set	147.0
Index	104.1%	Index	98.4%	Index	102.5%	Index	100.7
<i>RevPAR (\$)</i>							
Hogtown	62.4	My hotel	30.4	My hotel	2.7	My hotel	95.5
Comp Set	74.1	Comp set	24.4	Comp set	5.4	Comp set	103.9
Index	84.2%	Index	124.6%	Index	50.0%	Index	91.9

possible improvements. Kelly knew the importance of distribution channels in selling hotel rooms. She had an idea to increase the Hogtown's occupancy through selling the hotel's room inventory through a well-recognized Online Travel Agency (OTA) called Expedia. What can go wrong if all the rooms are sold through a high performing OTA channel like that?

Kelly ran the numbers and wanted to see it for herself if it would make sense to have Expedia fill the Hogtown in the following year using the same ADR as in 2019? The economic forecasts pointed at a steady demand but not stronger than the year before. Kelly thought about holding the room rates at the same level for 2019. She calculated the results of a scenario where the hotel's annual occupancy improved to 70% without an increase in ADR (Average Daily Rate) as a result of switching to this new high-producing distribution channel.

The improvement in annual RevPAR performance in that scenario was significant, it was exactly what Kelly hoped to achieve. There was just one more thing Kelly wanted to calculate as a thoughtful Asset Manager: she knew the commission of Expedia was expected to be 15% so it was important to calculate a new RevPAR using Net Average Room Rate by subtracting the OTA channel costs. Kelly calculated a new RevPAR for 2020 using 70% occupancy and subtracting Expedia's commission of 15% from the ADR of \$148. She assumed that the comp set average KPIs remained unchanged.

The results made Kelly uneasy and she was puzzled by what she saw. She knew one thing: although this idea was not producing a positive outcome, a solution needed to be found to improving RevPAR performance within the Hogtown's comp set without sacrificing net room rate.

Cost Containment Issues

There was a financial statement as well for fiscal 2019 (Table 19.2) in addition to the market performance table. A careful line-by-line analysis by Kelly revealed some issues that required intervention.

INCOME STATEMENT – Summary

The two main expense areas Kelly identified were the in the Departmental Expense section of the Summary Income Statement. The costs related to the most important revenue streams of rooms and F&B (Food and Beverage) needed attention first. The total annual expense amount was important to as a start for a given line item, however, the ratio in the PAR (Per Available Room) column was also significant to work with.

Kelly compared these expense items to industry averages, and she was confident that plans for cost containment could be developed and implemented. She also

Table 19.2 Income statement summary – HOTEL Hogtown – 2019

Hogtown Hotel 200 rooms			
Acquisition price:	\$ 38,500,000		
Cap rate:	5.64%		
Description	2019	%	PAR ^a
Actuals			
Available rooms	73,000		
Rooms sold	47,085		
Occupancy %	64.5		
ADR	\$148.00		
RevPAR	\$95.46		
Revenue			
Rooms	\$6,968,580	77.0%	\$ 95.46
Food and beverage	\$1,450,687	16.0%	\$ 19.87
Telephone	\$24,620	0.3%	\$ 0.34
Other	\$608,965	6.7%	\$ 8.34
Total revenue	\$9,052,852	100.0%	\$ 124.01
Departmental expense			
Rooms	\$1,951,202	70.1%	\$ 26.73
Food and beverage	\$536,754	19.3%	\$ 7.35
Telephone	\$52,201	1.9%	\$ 0.72
Other	\$243,586	8.8%	\$ 3.34
Total departmental expense	\$2,783,744	100.0%	\$ 38.13
Departmental profit	\$6,269,108	69.3%	\$ 85.88
Undistributed expense	2019	%	PAR
Administrative and general	\$637,900	7.0%	\$ 8.74
Management fees	\$271,586	3.0%	\$ 3.72
Franchise fees	\$0	0.0%	\$ –
Marketing	\$274,300	3.0%	\$ 3.76
Repairs and maintenance	\$615,790	6.8%	\$ 8.44
Energy cost	\$524,270	5.8%	\$ 7.18
Total undistributed expense	\$2,323,846	25.7%	\$ 31.83
GOP	\$3,945,263	43.6%	\$ 54.04
Fixed charges			
Rent/leases	\$0	0.0%	\$ –
Taxes	\$565,020	6.2%	\$ 7.74
Insurance	\$65,798	0.7%	\$ 1.40
Total fixed charges	\$630,818	7.0%	\$ 9.14
E.B.I.T.D.A.	\$3,314,445	36.6%	\$ 45.40
Debt service	\$1,143,774	12.6%	
Net income/(loss)	\$2,170,671	24.0%	\$ 10,853.35

^aPAR: Per Available Room

considered reasonable cost increases for the upcoming 2020 annual proposal for certain Undistributed Expense categories in line with increased future occupancy and considered to factor in a couple percentage increase for inflation as well.

If the Hogtown was ambitiously pursuing an increase in occupancy that had cost implications on some of the departmental expense items that are related to letting the potential customers know about the Hogtown's value proposition and also dealing with the increased number of room nights, e.g. Room Expenses and Undistributed Expense items like marketing and maintenance.

Discussion

The fictional Case of the Hogtown Hotel presents a situation when an institutional investor (PropREIT) goes through the first three phases of the Asset Management Cycle: (1) once the objectives are determined, (2) a hotel asset is acquired and (3) the process of maximizing the asset value and monitoring its performance begins. You are expected to put yourself in the role of Kelly Bright, Asset Manager to identify areas of improvement in the subject hotel's market performance and operational efficiency.

The case illustrates the concept of data-driven decision making as an Annual Segmentation Summary is provided to facilitate a detailed understanding of the subject hotel's KPIs versus its competitive set of hotels. The data included in this summary table is fundamental in identifying performance drivers and offers an opportunity to recommend strategies for improvements in profitability as a result of considering the segment ratios in market mix. The development of a more sophisticated distribution channel management that would consider channel costs and channel production as well would lead to quantifiable improvements. The objective is generating higher annual occupancy for the Hogtown Hotel while holding the room rate coupled with a shift in market mix toward the more profitable transient segment.

The Summary Income Statement is provided as well. The Hogtown achieved a net income of \$2,170,671 in 2019. The task for an Asset Manager is to maximize the profitability of the hotel through analysing the available data and identify areas of improvement. There are items both on the revenue side and on the expense side of the operation that need to be identified. Some of the numbers can be improved as a result of positive changes from improved market performance e.g. Room Revenue.

Some of the numbers are displaying a ratio Per Available Room (PAR) and their improvement should be based on context and their comparison to industry averages e.g. Cost of Food. The recommendations for improvements in operational efficiency and cost containment should be data driven and executable based on the information provided.

The Case of the Hogtown Hotel offers an opportunity to demonstrate how a thoughtful Asset Manager can recommend positive changes that lead to measurable improvements in Asset performance.

Conclusion

The Case of the Hogtown Hotel is fictional case for students of Asset Management. It is sector specific: students of Hospitality Management are expected to have mastered sufficient knowledge base in introductory

- Front Office Management;
- Facility Management;
- Accounting; and
- Marketing.

Asset Management is cross-disciplinary in the sense that it builds on all the aforementioned disciplines and invites you to apply previous learnings in the given context of value creation for asset owners and investors.

This case is fictional; however it reflects industry practice in a realistic situation when an institutional investor acquires a hotel property and an appointed Asset Manager is put in charge of maximizing the value of the newly acquired asset. The task involves the first three stages of the Asset Management Cycle:

- Investor's Objectives are determined,
- Asset acquisition is conducted,
- Asset Performance and Value Maximization executed, through data-driven decision making.

You are required to analyse the market performance of the hotel, identify opportunities for improvement and make recommendations based on Key Performance Indicators. A Summary Income Statement is also provided to offer an opportunity for additional analysis. The expectation is that you will identify underperformance in revenue generation and potential improvements in cost efficiency to increase the Net Income generation ability of the Hogtown Hotel.

Teaching Note

Case Summary

This fictional case discusses the application of the theory of Asset Management Cycle in practice using a Hospitality Asset Management setting. An institutional investor, a Real Estate Investment Trust (called PropREIT) makes a strategic acquisition and decides to purchase a hotel. This new asset will be assigned to an Asset Manager (called Kelly Bright) who will have to analyse the performance of this hotel within its competitive set of hotels and the income generating potential of this new asset, called the Hogtown Hotel. A Summary Income Statement and a Market Performance Summary are provided for analysis.

Recommendations are expected based on the available data to identify opportunities for maximizing the performance of the subject property. This case is not necessarily about right or wrong answers or hitting a given target number. It is more about developing critical thinking skills and analytical abilities in the given context. There is no given specific performance target and no specific net income target figure to meet. This case is flexible enough to invite a critical analysis and creative problem solving for thinking about ways to maximize the value of a given asset. Discussions of a variety of topics related to this case may include:

1. Asset diversification strategy for investors;
2. The process of commercial real estate acquisition;
3. Key Performance Indicator metrics for hotels;
4. Identifying underperformance;
5. Recommendations for performance improvement;
6. Relationship between market performance targets and expenses; and
7. Operational efficiency through cost containment.

Teaching Objectives

The main objectives are:

1. ***data interpretation;***
2. ***data analysis;***
3. ***critical thinking; and***
4. ***problem solving in the form of recommendations for measurable improvements.***

Students will also learn to discuss strategies in managing a commercial real estate portfolio from investor's perspective. This fictional case offers an opportunity for developing an appreciation for the complex tasks of an Asset Manager. Students can apply their understanding of data interpretation and analysis.

The Case of Hogtown Hotel offers an opportunity for educators to provide guidance for students to identify market performance shortcomings and discuss areas of underperformance with a consideration for upside potential in a competitive market. It is a realistic expectation to have students make recommendations for quantifiable improvements in market performance using Key Performance Indicators (KPI). This case offers an opportunity for demonstrating data driven decision making as well.

An important teaching objective of this case is to help students become comfortable with the analysis of a key financial statement: The Summary Income Statement. An opportunity is offered to discuss the vital relationship between departmental expenses, undistributed expenses and asset performance. For example: if a hotel plans to increase its occupancy it needs the marketing resources to connect with customers, which invites a consideration of the Marketing Expense. If more rooms are sold, more rooms will have to be cleaned and maintained, which invites a

consideration of the departmental expense of Rooms and the undistributed expense of Repairs and Maintenance. The understanding of these relationships helps students to broaden their perspective when financial statements are examined.

This case can help students understand how each and every entry of the financial statement will have an impact on another items. (Another example: as result of higher hotel occupancy, the impact can be an increase in food and beverage revenue, which leads to an increase of the cost of food and beverage. If more steaks are sold, more beef will have to be purchased. The percentage relationship between sales and its direct variable costs can also be critically evaluated.)

Target Audience

In an undergraduate program: students at least in their third year of study. In a graduate program: any stage of the curriculum. Practitioners: this case is suitable for industry practitioners as well in the hospitality sector.

Prerequisites: the case is multidisciplinary and cross-disciplinary as well as it builds on previous learnings in a variety of disciplines and it resembles a real-life scenario where complex problems need complex solutions.

Introductory (and preferably intermediate) knowledge of accounting, finance, marketing, and operations management will serve as important underpinnings for studies in Asset Management. Courses in organisational behaviour and revenue management would be considered helpful.

Teaching Approach and Strategy

Students are invited to discuss the rationale of PropREIT's strategy in pursuing a new asset class.

Trigger question: Why would a well-run REIT that never owned a hotel consider the acquisition of a hotel property?

(A teaching technique for lively classroom discussion: divide the students into two groups. One group will have to provide arguments for the acquisition and the other group against it. Allocate 3–5 min for preparation and 10 min for back and forth arguments. Don't look for a definite "right" or "wrong" outcome. Challenge the arguments and offer provocative perspectives if necessary.)

Market Performance

Segmentation summary – Hotel Hogtown vs. Competitive set 2019							
Transient		Group		Contract		Total	
<i>Occupancy (%)</i>							
Hogtown	38.4	My hotel	24.1	My hotel	2.0	My hotel	64.5
Comp set	47.5	Comp set	19.0	Comp set	4.2	Comp set	70.7
Index	80.8	Index	126.8	Index	47.6	Index	91.2
<i>ADR (\$)</i>							
Hogtown	162.5	My hotel	126.2	My hotel	132.8	My hotel	148.0
Comp set	156.1	Comp set	128.2	Comp set	129.5	Comp set	147.0
Index	104.1%	Index	98.4%	Index	102.5%	Index	100.7
<i>RevPAR (\$)</i>							
Hogtown	62.4	My hotel	30.4	My hotel	2.7	My hotel	95.5
Comp set	74.1	Comp set	24.4	Comp set	5.4	Comp set	103.9
Index	84.2%	Index	124.6%	Index	50.0%	Index	91.9

Trigger question: Which KPI is the most meaningful in this table?

Answer: RevPAR (calculation: Occupancy × ADR = RevPAR)

Trigger question: Which variable would be the main driver of the Hogtown’s unsatisfactory performance?

Answer: the relatively low occupancy %.

Trigger question: What can the Hogtown consider doing in order to close the gap and at least reach the CompSet average in RevPAR performance?

Answers can identify various ways of improvement. An increase in occupancy is a logical start.

Trigger question: What do you think about the breakdown of market segments?

Answer: Shifting of market segments would produce desired results: less of lower-priced group and more of higher-priced transient segment would lead to an increase in ADR performance, which will also improve RevPAR. The Hogtown is too “group heavy”.

Distribution channel change to Expedia.

The table shows results with an increased occupancy percentage of 70%. The RevPAR performance index almost matches the Comp Set average:

SEGMENTATION SUMMARY - HOTEL Hogtown vs. COMPETITIVE SET								
2019								
Transient			Group		Contract		Total	
Occupancy (%)	Hogtown Hotel	43.9	Hogtown	24.1	Hogtown	2	Hogtown	70.0
	Comp Set	47.5	Comp Set	19	Comp Set	4.2	Comp Set	70.7
	Index	92.4%	Index	126.8%	Index	47.6%	Index	99.0%
ADR (\$)	Hogtown Hotel	162.5	Hogtown	126.2	Hogtown	132.8	Hogtown	148.0
	Comp Set	156.1	Comp Set	128.2	Comp Set	129.5	Comp Set	147.0
	Index	104.1%	Index	98.4%	Index	102.5%	Index	100.7%
REVPAR (\$)	Hogtown Hotel	71.3	Hogtown	30.4	Hogtown	2.7	Hogtown	103.6
	Comp Set	74.1	Comp Set	24.4	Comp Set	5.4	Comp Set	103.9
	Index	96.3%	Index	124.6%	Index	49.2%	Index	99.7%

This next table shows results with 70% occupancy as a result of switching all sales to Expedia and the sales commission of 15% subtracted from the ADR:

SEGMENTATION SUMMARY - HOTEL Hogtown vs. COMPETITIVE SET								
2019								
Transient			Group		Contract		Total	
Occupancy (%)	Hogtown Hotel	43.9	Hogtown	24.1	Hogtown	2	Hogtown	70.0
	Comp Set	47.5	Comp Set	19	Comp Set	4.2	Comp Set	70.7
	Index	92.4%	Index	126.8%	Index	47.6%	Index	99.0%
ADR (\$)	Hogtown Hotel	162.5	Hogtown	126.2	Hogtown	132.8	Hogtown	148.0
	Comp Set	156.1	Comp Set	128.2	Comp Set	129.5	Comp Set	147.0
	Index	104.1%	Index	98.4%	Index	102.5%	Index	100.7%
REVPAR (\$)	Hogtown Hotel	71.3	Hogtown	30.4	Hogtown	2.7	Hogtown	103.6
	Comp Set	74.1	Comp Set	24.4	Comp Set	5.4	Comp Set	103.9
	Index	96.3%	Index	124.6%	Index	49.2%	Index	99.7%

The evident recommendation should be to offer only a portion of the capacity through a highcost OTA (Online Travel Agency) channel to increase transient occupancy, with somewhat less groups in the mix. One possible solution can match RevPAR performance of the comp set:

SEGMENTATION SUMMARY - HOTEL Hogtown vs. COMPETITIVE SET								
2019								
		Transient		Group		Contract		Total
Occupancy (%)	Hogtown Hotel	52	Hogtown	19	Hogtown	2	Hogtown	73.0
	Comp Set	47.5	Comp Set	19	Comp Set	4.2	Comp Set	70.7
	Index	109.5%	Index	100.0%	Index	47.6%	Index	103.3%
ADR (\$)	Hogtown Hotel	148.8	Hogtown	126.2	Hogtown	132.8	Hogtown	142.5
	Comp Set	156.1	Comp Set	128.2	Comp Set	129.5	Comp Set	147.0
	Index	95.3%	Index	98.4%	Index	102.5%	Index	96.9%
REVPAR (\$)	Hogtown Hotel	77.4	Hogtown	24.0	Hogtown	2.7	Hogtown	104.0
	Comp Set	74.1	Comp Set	24.4	Comp Set	5.4	Comp Set	103.9
	Index	104.4%	Index	98.3%	Index	49.2%	Index	100.1%

The results above show that the ADR can take a small hit as a result of working with an OTA and drop down to e.g. \$142.50, provided that the lift in transient occupancy will rise to at least 52% leading to an average occupancy of 73% (Transient 52% + Group 19% + Contract 2% = 73%). This is just one possible set of variables to demonstrate a solution.

Summary Income Statement

Trigger question: Is there any revenue item that should be addressed?

Answer: the average occupancy shows underperformance within the comp set. This should be increased in the following year.

Trigger question: Which expense items need the attention of the Asset Manager?

Answer: The Food Cost is disproportionately high. (37%).

(Food Cost % = Food and beverage expense/Food and beverage revenue)

The industry average is much lower: 30–32%. This expense ratio needs fixed/improved.

Answer: Room cost. The statement shows \$26.73 PAR (Per Available Room). Any improvement, even if marginal in room expense efficiency leads to positive change in Departmental Profit and Net Income.

Trigger question: What would lead to an increase in Net Income: less expenses or higher revenue?

Answer: Both are to be improved, however in a business like a hotel where a significant portion of the costs are not directly variable (i.e. fixed), revenue generation is the key, while being cost efficient.

Room revenue and F & B revenue both need to grow. Related expenses will also have to increase: Undistributed items e.g. Marketing, Repairs & Maintenance, Management Fees. Departmental Expenses will also need to rise proportionately if occupancy increases e.g. Rooms, F & B.

Students should be assigned the preparation of an Income Statement for the following year that shows the implementation of previous recommendations. The main points of this exercise are the integrity of numbers and ability to operationalize strategic decisions for improvements. This is how the scaffolding results as a teaching strategy through the learning process in the desired outcomes:

- students analyse the data in the financial statement and market performance,
- students identify areas of improvement based on previous learning,
- students develop recommendations based on the identified problem areas, and
- students implement the recommendations to quantify the results of proposed changes.

One possible solution may look like this:

INCOME STATEMENT - Summary			
Hogtown Hotel 200 rooms	Acquisition price:	\$ 38,500,000	Cap rate:
DESCRIPTION	2020	%	PAR
	Proposed		
Available Rooms	73,000		
Rooms Sold	51,100		
Occupancy %	70.0		
ADR	\$148.00		
RevPAR	\$103.60		
REVENUE			
Rooms	\$7,562,800	77.1%	\$ 103.60
Food & Beverage	\$1,600,687	16.3%	\$ 21.93
Telephone	\$20,000	0.2%	\$ 0.27
Other	\$630,000	6.4%	\$ 8.63
TOTAL REVENUE	\$9,813,487	100.0%	\$ 134.43
DEPARTMENTAL EXPENSE			\$ -
Rooms	\$2,041,956	71.4%	\$ 27.97
Food & Beverage	\$544,234	19.0%	\$ 7.46
Telephone	\$52,201	1.8%	\$ 0.72
Other	\$220,500	7.7%	\$ 3.02
TOTAL DEPARTM. EXPENSE	\$2,858,891	100.0%	\$ 39.16
DEPARTMENTAL PROFIT	\$6,954,596	70.9%	\$ 95.27

(continued)

INCOME STATEMENT - Summary			
Hogtown Hotel 200 rooms	Acquisition price:	\$ 38,500,000	Cap rate:
UNDISTRIBUTED EXPENSE			\$ -
Administrative & General	\$670,000	6.8%	\$ 9.18
Management Fees	\$294,405	3.0%	\$ 4.03
Franchise Fees	\$0	0.0%	\$ -
Marketing	\$320,000	3.3%	\$ 4.38
Repairs & Maintenance	\$660,000	6.7%	\$ 9.04
Energy Cost	\$570,000	5.8%	\$ 7.81
TOTAL UNDISTRIB. EXPENSE	\$2,514,405	25.6%	\$ 34.44
GOP	\$4,440,192	45.2%	\$ 60.82
FIXED CHARGES			
Rent/Leases	\$0	0.0%	\$ -
Taxes	\$613,200	6.2%	\$ 8.40
Insurance	\$65,798	0.7%	\$ 1.29
TOTAL FIXED CHARGES	\$678,998	6.9%	\$ 9.30
E.B.I.T.D.A.	\$3,761,194	38.3%	\$ 51.52
Debt Service	\$1,143,774	11.7%	
NET INCOME/(LOSS)	\$2,617,420	26.7%	\$13,087.10

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Chapter 20

Learning from Strategic Failures: What Really Happened to AtlasGlobal Airlines?



Tugba Gurcaylilar-Yenidogan and Burcu Kantarcioglu

Abstract Historically, the aviation industry is full of airlines that went out of business. AtlasGlobal, once a prominent airline in Turkey, stopped its operations in 2020, which attracted a lot of interest in terms of what really happened to the company. The carrier went through repetitive patterns of experiences that resulted in hard-edged strategic changes. While unpredictable incidents compelled the airline to lead a change in the strategy process, the sudden drifts seemed to instigate the failure. The aim of this case study is to help readers understand what went wrong strategically with AtlasGlobal to develop strategic foresight. The case study provides information specific to AtlasGlobal's corporate and business level strategies, along with the company brand positioning of the 19 years in business. The readers are invited to look through the strategic lens to determine the factors and strategic patterns that precipitated AtlasGlobal's failure, and outline what other businesses can learn from the airline's demise to improve their chances of success.

Keywords Strategy coherence · Strategy change · Over-diversification · Stuck in the middle · Brand positioning · AtlasGlobal Airlines

Introduction

The Turkish airline company AtlasGlobal, formerly AtlasJet, was one of Turkey's prominent airlines, founded as a charter carrier in 2001. Soon after foundation, AtlasGlobal rose and went to a well-deserved place of the most preferred private carriers with on/off-board service quality. The airline served more than 50 destinations in 35 countries across Europe, Asia, the Middle East and Russia. The airline,

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with a solid brand reputation accompanied by wide media presence in the domestic market, was the first private carrier to join the community of IATA. However, in recent years, the company appeared in the media that it had been struggling with financial difficulties. On 26 November 2019, AtlasGlobal released an announcement stating that the carrier would suspend its flights until 16th of December (Bailey, 2019). Soon after, another announcement stated that flight suspension would be in force until 21st of December, 2019. On 12 February 2020, the airline announced bankruptcy and stopped its operations (Boon, 2020). AtlasGlobal was unable to overcome the financial crisis it had fallen within the past 18 months. The airline, once a preferred carrier among travellers seeking high-quality services, turned out to be a disappointment.

Aviation history is full of airlines that ceased operations due to various reasons. AtlasGlobal, obviously not the first and surely not the last, is among the carriers that announced bankruptcy in 2020. While the aviation industry is an industry with fierce competition and easy to be disrupted financially, there is no one single event or reason behind airline bankruptcies. Thus, the mystery of what went wrong with AtlasGlobal, a company that experienced short-lived but impressive history, remains. The purpose of this case study is to shed light on the growth strategies of AtlasGlobal, both at the corporate and business level, to understand what contributed to the business failure. It is believed that this understanding will provide a learning opportunity to develop greater strategic foresight with which one can better anticipate future events and respond better to mitigate subsequent business failure. The readers are invited to look through the strategic lens to determine the external and internal factors that precipitated AtlasGlobal's failure – to identify the strategic patterns that other businesses can learn from and devise strategic responses to improve their chances of success. The readers are further invited to think how the airline's strategic failures could have been mitigated by paying closer attention to the changing ownership structure, the use of company resources and capabilities, and organisational management systems.

The 19 Years of Business (2001–2020)

The mysterious story of AtlasGlobal is not too long; just dates back to 19 years. Dissimilar with cross-sectional plans, the airline company went through repetitive patterns of experiences that triggered a hard-edged change in strategy over time. Unpredictable events compelled the airline to make strategic moves that resulted in different strategic patterns and overall strategy that seemed more emergent and sporadic.

From AtlasJet to AtlasGlobal in Five Phases

In 19 years of corporate lifetime, AtlasGlobal's ownership structure changed three times. Each change was accompanied by a significant alteration in a strategy intended. Every new owner had different bundles of resources and capabilities, which in turn affected the level of organisational resilience in tackling unexpected situations and triggered recursive strategy change. The following strategy phases explain 19 years of AtlasJet becoming AtlasGlobal along with some strategic moves and major events that affected the growth policies of the company.

Phase I- Foundation AtlasGlobal was established in 2001 as a subsidiary of Oeger Tours Holding in Istanbul. Oeger Tours Holding was founded by a Turkish entrepreneur Vural Oeger who was then living in Germany. Vural Oeger started the business by carrying Turkish workers working in Germany; but, in a short time, the company he founded became one of the leading German tour operators. Thanks to Vural Oeger's reputation and business experience in the German market, AtlasGlobal succeeded in charter flights from Germany to Turkey. Early years of the carrier witnessed a clear vision in what they were doing. By following a single-segment strategy, AtlasJet was highly concentrated on the German market with charter tours.

Phase II- Growth Shortly after the act of aviation deregulation was issued in 2003 in Turkey, restrictive regulations of transportation activities were annulled that private airlines were permitted to operate in scheduled routes. In addition, safe and efficient carriers were encouraged to fly through domestic routes. Before the deregulation, Turkish Airlines (THY/TK), the national flag carrier airline of Turkey, was the sole carrier authorised to conduct flights in the domestic market. There was no competition, fares were high, and the demand for civil aviation was low in Turkey. Upon removed barriers to competition, AtlasGlobal was among the carriers being permitted to engage in domestic flights. Deregulating the Turkish air transport services encouraged tour operators to increase their domestic capacity. Concordantly, 50% of AtlasJet's shares were acquired in 2004 by ETS Group aiming at increasing the effectiveness of domestic tourism activities. Then in 2006, Oeger Holding sold the remaining 40% of its shares in AtlasJet to ETS Group. After Oeger's breaking up with AtlasJet, ETS Group held 90% of the shares. The other 10% share was owned by an aircraftman, Tuncay Doganer who was the CEO of AtlasJet before the year 2005. Since customers started booking their flights and hotels online from low-cost airlines (LCC) such as Ryanair, easyJet and Germanwings rather than buying a packaged tour, ETS started to organise scheduled flights instead of charter flights. AtlasJet CEO Tuncay Doganer stated that; "Many foreign airlines, including easyJet particularly want to fly to Turkey. These companies offer scheduled and cheap flights providing more flexible and guaranteed travel to passengers. Our goal is to compete with foreign companies". This reason forced Oeger Tour, specialised in charter flights, to leave the partnership.

Following the acquisition, ETS announced that AtlasJet would withdraw from charter flights. The new strategy intended was to extend the number of scheduled flights to 80%. Standing out with pioneering investments such as electronic tickets, AtlasJet with a limited capacity, turned out to be the first regional aircraft operator among other private airlines in the domestic market.

Bombardier's 70-seat CRJ700-type aircraft was first used, and then the use of CRJ900 type aircraft increased the capacity to a total of 90 seats. Along with a moderate increase in seat capacity, the flight schedules were rearranged, and short-haul domestic flights to cities such as Uşak and Isparta were added to the existing routes. In order to meet the expected increase in capacity, McDonnell Douglas (MD-80) and Airbus A-300 aircraft series were also added to the fleet, having Boeing and Bombardier aircraft models in the fleet. All in all, this strategic move came with a price; additional seats, diversified fleet and additional short-haul destinations increased the maintenance and repair costs significantly.

In parallel with the developments above, travel industry between 2004 and 2006 experienced a drastic decline due to serious concerns and threats in aviation security. Avian flu epidemics were first detected in Asia, Europe and Africa in 2004. Then, in 2006, a terrorist attack allegedly involving the intended use of liquid explosives during a flight was prevented in the UK. These events, along with the flight cancellations, triggered downsizing in airline capacity. In order to cope with the downsizing, some aircraft of AtlasJet were rented to abroad at the end of 2006. But, the prevention act of AtlasJet was no longer in practice and left its place to growth attacks.

Along with ETS, AtlasJet carried out domestic flights to many local departures. In addition, flights to Amsterdam were added to the international routes as well after Düsseldorf and Cologne in Germany. As a result, the scope of flight operations was extended to the scheduled flights in both domestic and international routes. Expanding its operations horizontally towards new markets with the related activities of passenger air transportation, AtlasJet became more diversified over these 2 years yet focused on west-end markets and international flights specifically.

Phase III- Recession The growth direction shifted again from scheduled routes to charter flights in 2007. Unfortunately, two sequential incidents led to the shift from the intended strategy. First, an AtlasJet MD-83, the flight KK4203, crashed shortly before landing at Isparta Airport; 57 passengers perished in the accident. Second, an AtlasJet MD-80, the flight KK1011, was hijacked soon after take-off. Due to increased security concerns, intended strategies failed, and hence AtlasJet ended up being exited from the strategy of market specialisation. Upon this, a partnership agreement with Saudi Arabian Airlines was signed to carry out pilgrimage trips and leased out aircraft from Ryan International, an English aircraft company. In 2007, charter flights to Saudi Arabia were first introduced to meet a largely unsatisfied demand for the Hajj and Umrah tours.

The emerging strategy was a niche market strategy to grow in the Middle East. The newly established partnerships induced external dependence and overgrowth. With 14 aircraft and 3077 seat capacity, charter flights to 9 points and scheduled flights to 10 points were actualised in 2010. At the same time, the vertical growth

was yielding in different business areas. In 2008, ATS Team was launched to serve aviation technical services. In 2010, JetSupport was founded to provide overflight, landing, and other support services. In 2011, Atlantic Flight Academy AFA was founded to meet the fast-growing need for qualified pilots. Thus, AtlasJet became more and more diversified in a different industry with a higher degree of unrelatedness.

In 2012, Ryan International Airlines bankrupted due to the failure of meeting its receivables in AtlasJet. Thereby, AtlasJet's brand reputation was damaged globally. In the same year, all shares of ETS Tour were transferred to the founding partner Murat Ersoy; leaving no affiliate relationship between ETS and AtlasJet. Beyond this date, a steady flux of strategic drift was discharged in the target market. A new operating decision was made with flights to spoke routes from hub airports in 2013. Upon this, the flight operations were launched in Northern Iraq by establishing a 50% partnership with ZagrosJet. The aircraft leased by AtlasJet carried out flights from Iraq to the European and Middle East countries.

Joint flight services started to be provided with local partnerships established in Kyrgyzstan and Kazakhstan. Kyrgyz Airlines and Jet One were the new subsidiaries in Eurasia, respectively. Flights to Nizhnekamsk, located in the largest industrial area of Tatarstan, began on January 12th, 2013. AtlasJet Ukraine was set up as the Ukrainian subsidiary of Turkish parent company AtlasJet on September 30th, 2013. The permission was taken to fly in South Sudan. After getting the licence, flights first started with two aircraft and then continued with three aircraft in 2013. In 2014, AtlasJet signed an interline agreement with more than 60 international airlines to handle all the check-in and baggage procedures for the passengers travelling on multiple airlines. At the end of the third strategy phase, Ukraine and the Russian Federation in Eastern Europe; Kyrgyzstan and Kazakhstan in Eurasia; Iraq in the Middle East; and Sudan in Central Africa were included to the flight network. By 2015, AtlasJet transformed towards a hub-and-spoke carrier.

Phase IV- Institutional Renewal and Recovery In 2015 new brand name "AtlasGlobal" was announced to restore the passengers' perception of low-cost carrier image and the associated Isparta accident that happened in 2007. The new corporate identity was introduced with the slogan "A World Beyond Dreams". Again, the decision was taken on expanding flights from east to west; making the company look global, modern and sophisticated in the eyes of the western customers. AtlasGlobal's new routes, all departing from Istanbul Atatürk Airport, were announced as daily flights to Amsterdam, Düsseldorf and Bishkek, and flights to Cologne 3 days a week, as well as daily flights to Paris. Then, suddenly, some critical events happened. Turkey witnessed the military coup attempt on July 15, 2016. Despite all these negative situations, AtlasGlobal expanded its destination network towards the west-end markets in 2016. The number of destinations was increased to 32 in 24 countries by opening two new routes per month. Stockholm, Zurich, Copenhagen, Hamburg, Milan, Cluj (Romania) and Chisinau (Moldova) in Europe; Dubai (Sharjah) and Doha (Qatar) in the United Arab Emirates; and Shymkent and Makhachkala in Central Asia were included to the flight network. International flights, which originally represented 30%, reached 70%.

Phase V- Decline Unfortunately, a year later, the recovery strategy for the growth in markets was pushed down by the ever-changing external environment. In 2017, an attack took place at the Reina nightclub in Istanbul's Besiktas district on the night of the New Year in which 41 people were killed. In the same year, one more terrorist attack actualised at London Bridge and Borough Market; seven people were killed. By the end of 2017, the Turkish currency had lost 8% of its value against the US Dollar.

Faruk Eskioglu, AtlasGlobal's head of marketing and corporate communications once again stated that "AtlasGlobal competes with full-service carriers such as British Airways and Air France, not with low-cost airlines", to reinforce its position and new image in the market. After the joint flight deals with Air France (Paris) and Air Serbia (Belgrade), an agreement was signed with KLM (Amsterdam), one of the largest airlines in the Netherlands. Skytrax awarded AtlasGlobal 4-stars airline quality certification. The capacity ratio was increased by 35% and the occupancy rate by 7%; the number of passengers increased by 46%; the sales revenue improved by 29%. With the opening of 17 new lines in 2017, AtlasGlobal aimed to organise 1500 flights from Antalya to Russia and 4000 from Istanbul to Russia, which equated to 1 million passengers. Planned growth in the Balkans, Europe and Russia was aimed with 17 new lines. Atlas Holidays was also established to provide services for flight, accommodation, and transfer services.

In 2018, diplomatic relations with Russia were restored especially with their cooperation to build the future of Syria. But still, it was not enough. The Turkish currency TRY lost almost 10% of its value and touched the mark of 6 TRY per a US dollar. Ticket prices were dropped by 20% to combat inflation. Charter flights to Russia replaced the vast majority of operations. Scheduled flights were stopped first in Europe and then in Ukraine. Flights to Ercan Airport, the primary civilian airport of Northern Cyprus, were decreased. New flights were initiated to Odessa in Southwestern Ukraine. ATS Team was surprisingly sold to a Swiss investor group. Due to the sharp rise in oil prices, airline companies started to reduce their number of flights. Following the suspended flights to Tbilisi, Makhachkala, Krasnodar, Hamburg, Zurich and Zaporozhya, the flights were stopped to Kiev, the capital of Ukraine, and the Turkish Republic of Northern Cyprus.

Meanwhile, in 2018, AtlasGlobal only received a 1% share of the domestic passenger transportation. On top of it, the \$10 billion compensation, which was ruled by the loss of the Iraqi Zagros airlines case, could not be paid in 2019. To recover the losses, codeshare agreement with Tajikistan's airlines Somon Air was signed to provide more flight alternatives with connecting flights to Istanbul and Dushanbe. This was followed by the agreements with Kazak Airline Scat Air, and Anex tour, one of the largest tourism agencies operating mainly in Russia, Ukraine and Kazakhstan. After moving from Atatürk airport to Istanbul airport in 2019, logistics and operation costs dramatically increased. Consequently, a vast majority of operations were replaced by charter flights and scheduled flights were progressively stopped. In the end, AtlasGlobal declared bankruptcy in early 2020.

Corporate and Business Level Strategies

How were the company's two-level strategies (corporate and competitive strategy) played in practice? To respond to this question, it is paramount to consider the content of strategy entrenched in a sequence of events. Content of strategy is concerned with the 'how' aspects a company's business unit is implementing to achieve competitive advantage (Porter, 1998).

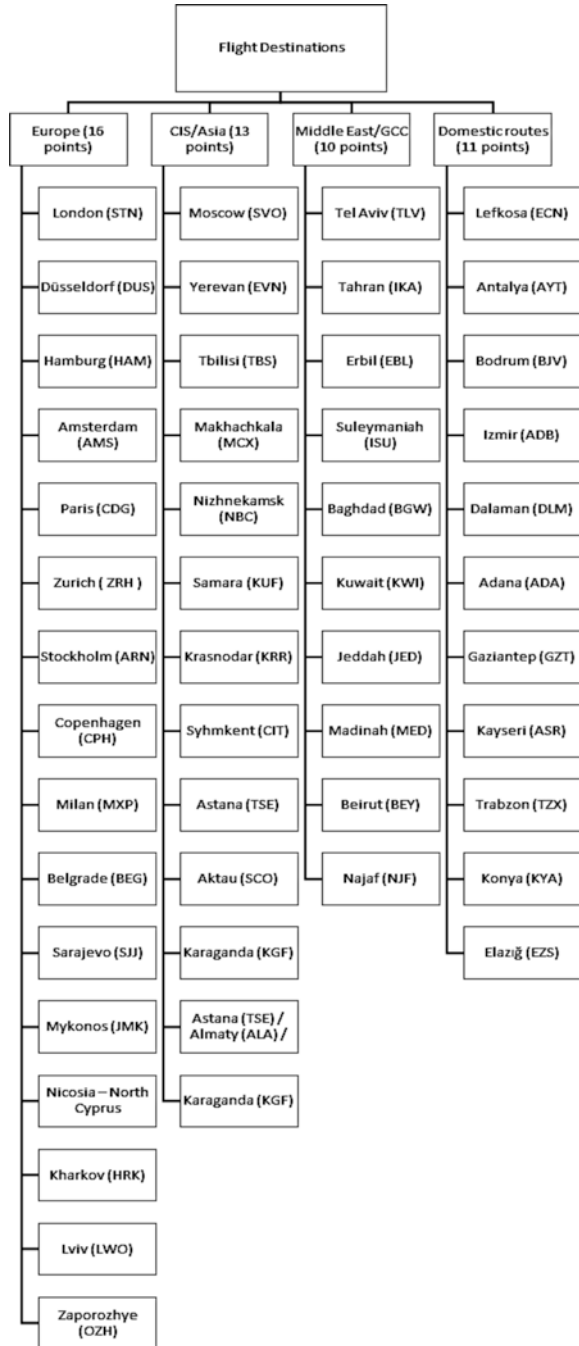
Corporate Level Strategy

Corporate growth strategy is closely related to the decisions a company takes regarding the set of businesses that it should operate (Furrer, 2010). Some companies offer the same product to different markets (product specialisation) or different products to the same market (market specialisation). Small and medium-sized companies with limited resources follow a single-segment strategy by penetrating the current market. Unlike such concentrated strategy, others are diversified over a wide array of product-market combinations with full coverage, and even in different business areas.

As of the latest status, AtlasGlobal carried out operations in distinct markets from West to East, with everchanging flight percentages (Fig. 20.1). According to Herfindahl index that measures market concentration or degree of deviance of diversification (Lee et al. 2011), the ratio for segment diversification of AtlasGlobal was estimated at about 33% (calculated using the statistics of CAPA- Blueswandaily, 2018). This relatively lower HHI-score indicates that the company had a more diversified portfolio by multiple market segments. Russia was the country with the highest market capacity of the company. This was followed by Iraq, Cyprus, Iran, Kazakhstan, Lebanon, Netherlands, UK, France, Israel and the others respectively.

Furthermore, AtlasGlobal offered a wide range of products (Fig. 20.2). Air transportation was the core business. The products/services covered scheduled flights, non-scheduled flights and freight transportation. Moreover, new business units were added to the product portfolio. Main areas of manufacturing, administrative and support service activities and education composed the new product range. Accordingly, it spread into new product/service lines, which comprised repair and maintenance of aircraft (ATS), tour operator activities (Atlas Holidays), support services (JetSupport), and other education activities (AFA). As AtlasGlobal expanded their operations vertically towards new industries with new products/services in different (potentially related or unrelated) technologies, the company scope became broader more and thus boosted diversification. The success of a highly diversified company depends on the type of relatedness (in terms of marketing or production) among the business units (Davis et al., 1992). It is questionable to what extent the airline really achieved cross-functional synergies. Evidently, vertical diversification gradually diverged the company from its core competencies (Baysinger & Hoskisson, 1989).

Fig. 20.1 Air routes of AtlasGlobal. (Prepared by authors utilising from the statistics of AtlasGlobal, 2019)



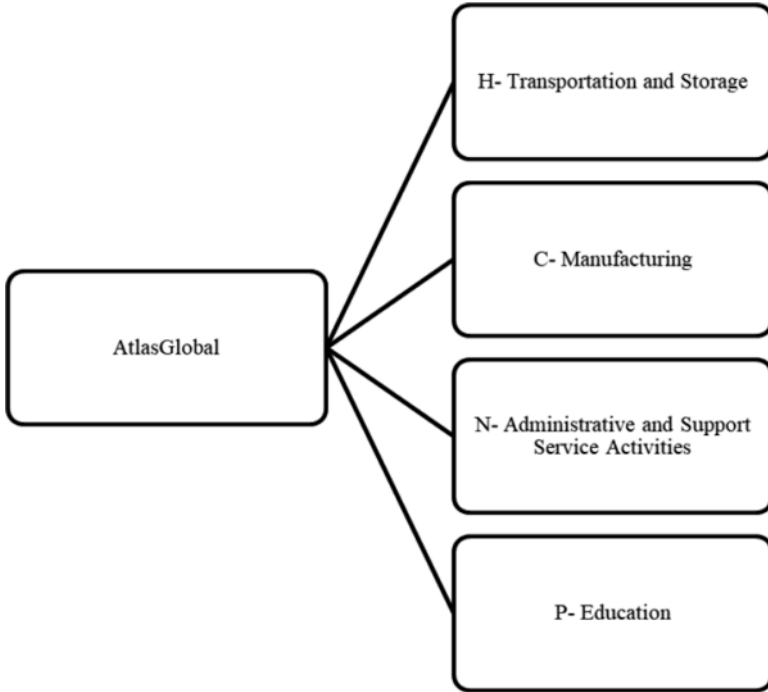


Fig. 20.2 The portfolio of AtlasGlobal for multiproduct and multi-business lines – (a) Business portfolio of AtlasGlobal Airlines, (b) Core business and diversification in related businesses, (c) Strategic business units and diversification in unrelated businesses. (Prepared by authors according to NACE codes)

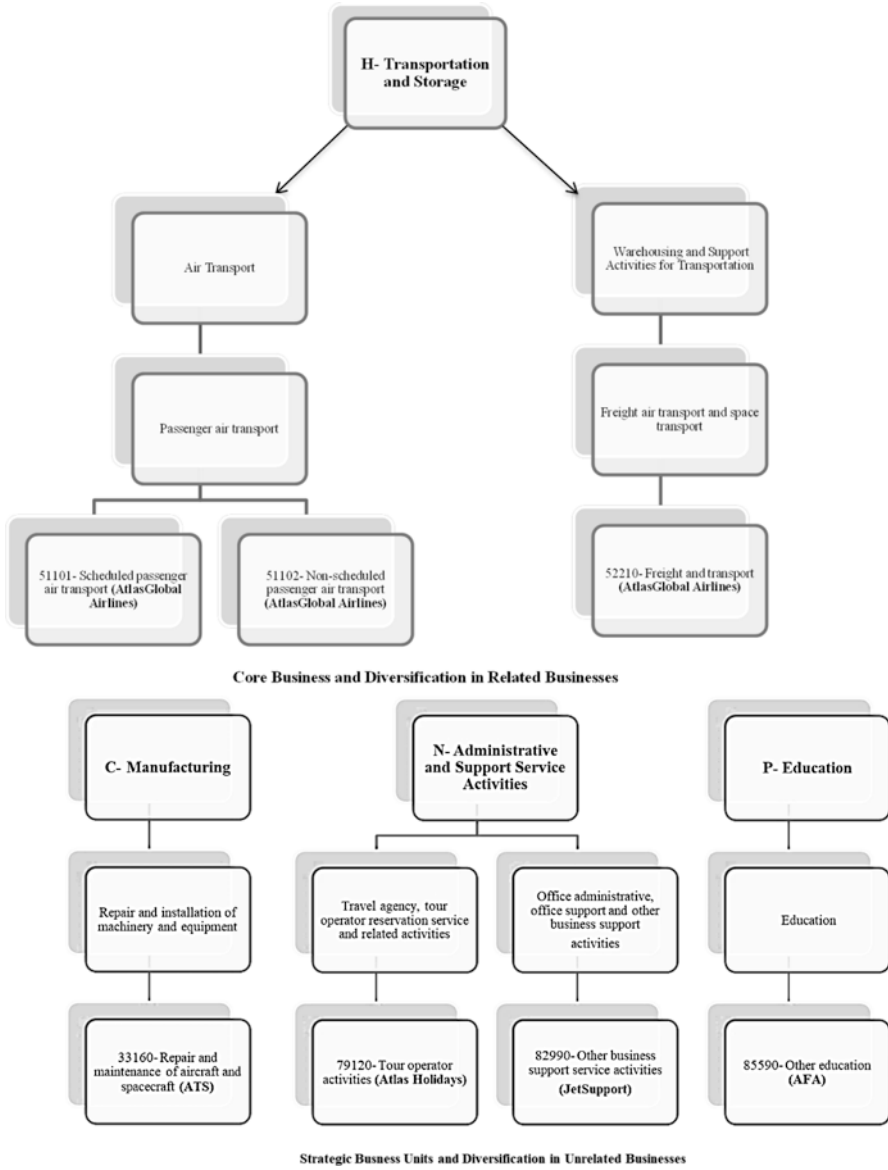


Fig. 20.2 (continued)

Business Level Strategy

Business strategy is concerned with the means of competing successfully to reach the desired ends/organisational goals (Porter, 1998). While dealing with competitive pressures, ideally, airlines need to compete on several aspects rather than deciding a few performance criteria. Similarly, when given a choice, a traveller chooses

an airline offering highly qualified and competent service experience, on-time transportation with minimum wait hours and low fares. However, achieving high service quality and being a low-cost provider at the same time creates important trade-offs. Therefore, companies can either position themselves as cost leaders attracting customers by commanding the lowest possible price or position themselves as differentiated that customers see the value behind the premium price. Otherwise, companies who do not focus on a narrower niche market segment are not protected by the fierce competition within the industry. The companies that intend to execute all strategies at the same time do neither of them well (Dostaler & Flouris, 2006; Hamdan, 2017).

Each competitive strategy requires different organisational structures, leadership styles, resources and capabilities (Orhan & Gerede, 2013). Any company that is stuck in the middle will only be profitable enough or survive in the business as long as the structure of the industry is very favourable or the other rivals in the industry are also stuck in the middle position (de Wit & Meyer, 2010). However, in the long run, companies stuck in the middle will compromise from potential financial gains compared to their rivals that achieve one of the generic strategies well. For stuck in the middle companies, they try every means and achieve none, because the attainment of different types of competitive advantages is usually accompanied by inconsistent actions. In other words, stuck in the middle companies are prone to pursue business-level strategies that are not clear; their strategic move via cost leadership, differentiation or focus is vague. Becoming stuck in the middle affects companies that compromise and trade-off long-run returns for the sake of short-term returns.

After the deregulation in 2003, the dynamics of the interfirm rivalry among the Turkish carriers changed tremendously (Sarilgan, 2016). The rise in demand for air transportation resulted in better service quality, new routes and more destinations, lower fare offerings and advancements in the Turkish aviation infrastructure particularly new airport openings. Along with the opening of the Sabiha Gökçen International Airport at the Anatolian side of Istanbul, the first privately operated airport in Turkey, the airline companies chose to use one of the airport bases located in Istanbul that was in line with their strategies, organisational structure and finances. Turkish Airlines, AtlasJet and Onur Air used Atatürk International Airport; Pegasus Airlines, AnadoluJet, and SunExpress used Sabiha Gökçen International Airport as their base (Orhan & Gerede, 2013).

One of the airline companies that used Atatürk International Airport base is Turkish Airlines; a full service (traditional) carrier. According to Porter's generic strategies, Turkish Airlines pursues differentiation strategy; full service with re-fills in domestic and international routes, top-notch service quality with a premium pricing policy, global brand with increased brand awareness and reputation both in domestic and overseas markets and 100% national. Their differentiation strategy can be summarised in three words: high quality, premium prices, global (using economies of scale) while growing with more routes and passenger numbers (Orhan & Gerede, 2013). On the other hand, Pegasus Airlines being the distant rival of Turkish Airlines, is a low-cost carrier, carrying passengers both in domestic and international routes (Garg et al., 2018, p. 91). According to Porter's generic strategies, Pegasus Airlines pursues cost leadership strategy; considering an opposite strategy of Turkish Airlines.

AtlasGlobal, like Turkish Airlines, positioned itself as a full-service carrier emphasising better on/off-board service quality with refills, free check-ins, SMS reminders, using major hubs in domestic and international destinations, and free bus transfers in airports. From the start, AtlasGlobal undertook significant investments in technology; however, with a relatively affordable pricing strategy compared to Turkish Airlines. In other words, their pricing strategy was not similar to LCCs; hence their fares were below the full-service carriers' price offerings. AtlasGlobal had both Economy Plus (economy class combined with additional services such as 30-inch seat leg width rather than 28 inches) and business classes; that it is different from other LCCs that have no business seat category. Throughout these additional features, AtlasGlobal was perceived as an airline that is of high quality enabling the company to compete with other airlines in the domestic market. Relevant to its growth strategy, AtlasGlobal, started flying to the eastern parts of Turkey by adding regional carriers to its fleet (Orhan & Gerece, 2013). In addition, as it is mentioned in the fifth strategy phase, the carrier cooperated with KLM Airlines of Holland with code-sharing agreement increasing its network in international routes (klm.com, 2017).

AtlasGlobal was a 'private' airline company that started as a 'charter business'; the brand perception of AtlasGlobal was similar to an LCC in the mindset of the Turkish passengers. There are two reasons for this perception. First, AtlasGlobal was founded with the name AtlasJet that the word "jet" is common in naming the LCC carriers. Second, AtlasGlobal was a private airline company, and the Turkish travellers' perception of a privately held company is considered as an LCC. In addition, AtlasGlobal had a communication strategy that is very common in LCC advertising campaigns. Before 2015, the airline company had acted as a full-service carrier communicating like an LCC. Full-page ads with the theme of "We are the second" were given to Turkey's highest circulation newspapers and succeed in catching the attention of the customers. But 'heydays' were left behind. AtlasJet later lifted some scheduled flights. In order to cope with financial distress, it seemed more profitable to rent aircraft to other airlines. Unfortunately, this was an act that will confuse the customers' perceptions of the carrier. When an airline promises that they are the second; but showing no signs of action (no flights between two major cities Istanbul and Adana), all the promotional efforts undertaken would be incoherent. Unfortunately, the fatal Isparta accident that 57 passengers lost their lives happened precisely when this incident spread. "The airline that loves its passengers the most" started having problems in conveying and expressing this love (WordPress.com, 2009). Even though the crashed aircraft of AtlasJet belonged to World Focus Airlines and leasing agreement for McDonnell Douglas aircraft was immediately terminated, the passengers did not seem to be convinced.

In 2015, AtlasGlobal restructured its brand identity and moved to a new brand positioning. The brand communication and media planning were executed by a new ad agency UM Turkey that it used to work with Marka Ad Agency (MediaCat.com, 2017). The Economy Plus and real Business Class service the airline offered on the flights were highlighted in the media, and the ads drew attention to the quality and comfortable travel experience provided to the passengers. Economy plus seating

concept brought the economy class together with comfort because of all-inclusive services. The airline company offered the opportunity to travel in a wide range of services encompassing wide leather seats, free seat selection, and a variety of food and drink at no excess. ‘Flying Chef’ service was included for flights of 3 h or more. Hence the service and price offering was not similar to an LCC. In order to eliminate the LCC image in the eyes of customers, AtlasGlobal changed its brand name from AtlasJet to its current brand name, AtlasGlobal. The brand motto changed from “we are the airlines that loves you the most” to “a world beyond your dreams” making the brand image of the airline seem global (MediaCat.com, 2017).

Discussion

Achieving great success in the airline industry is notoriously difficult. While most airlines manage through the various external and internal forces, several airlines file for bankruptcies now and then as they struggle to adapt. The reasons behind bankruptcies are not always obvious and are often hard to attribute to one or two factors. Often it is a bunch of reasons or a combination of external and internal factors that contribute to such outcome. From economic downturns to changes in regulations, competition, terrorist attacks, health risks, internal business mismanagement, leadership, inefficient systems, poor governance, or strategic foresight to force strategic implementation are just some examples. However, by engaging in environmental scanning and an assessment of other failed business cases, it may be possible to learn from the experiences and devise strategies to avoid befalling the same fate.

In retrospect, some of the strategic choices that AtlasGlobal made over the past 19 years can be viewed through three distinct areas of strategic patterns:

Investment decisions: AtlasGlobal pursued a hub-and-spoke strategy in expanding to international routes. Parent airline companies were established with foreign partners in several neighbour countries. Since 2013, the company had become more dependent on partnerships to grow. This led to a sharp conflict in authority, and the parent company suffered from the compensations of its subsidiaries. Nowadays point-to-point flights seem to be less risky. As a result, more and more airlines fly direct to the destination, rather than the hub-and-spokes service requiring a layover in another city.

Operating costs: The first take-off was out with a Boeing 737–200 type passenger aircraft that is more convenient for charter flights. In the early period, the fleet expanded in the same type of aircraft. Afterwards, McDonnell Douglas (MD-80) and Airbus A300 series aircraft were added to the fleet together with the Boing and Bombardier aircraft models. As well as the costs of flight operations such as cabin crew training, the maintenance and repair costs increased due to the diversity in the fleet.

Coherent strategy: Review of strategy patterns can build an understanding of how companies deal with unexpected incidents or emergencies. AtlasGlobal was

exposed to recursive strategic drifts in product offering and market coverage. The shifts from charter flights to scheduled flights and from West to East appeared as reactive actions against in an ever-changing environment. Without a coherent strategy, the company entered a period of flux that destroyed the foundation of the company's survival. The mutable identities of AtlasGlobal restrained, building a clear positioning in the minds of many travellers.

Conclusion

AtlasGlobal case is an example of how intended growth strategies may not be realised, and how unplanned patterns of decisions and actions may emerge in practice. Regardless of the industry, firms are facing a great number of challenges, both internally and externally. In times of uncertainty, the strategy realised may substantially differ from the intended one. Along with several structural changes in the company, it is evident that strategy change comes with a price. This suggests that the corporate and business level strategies undertaken by the company decisionmakers need to be clearly formulated and executed carefully.

Historically, stuck in the middle companies found it hard to achieve any of their strategies. AtlasGlobal, Laker Airways and other airlines that failed, show how stuck in the middle strategies can result in suspended flights and bankruptcy.

What is left behind unanswered are a few more questions that could contribute to better understanding and more effective decision making in the field of strategy:

1. How did AtlasGlobal align their corporate and business level strategies to run the business? How effective was the alignment, considering the dynamic and complex nature of the aviation industry?
2. In the 19 years of business of AtlasGlobal, what were the most important points and inconsistencies that caused the strategic failure?
3. Rather than being stuck in the middle, what could have AtlasGlobal done to cope with the strong rivals? How could have the carrier positioned itself in the marketplace effectively?
4. What special features or capabilities of AtlasGlobal were critically important to succeed in multiple market segments?

A. Teaching Note

Case Summary

This case study underlines the strategic and structural issues faced by AtlasGlobal Airlines as the company struggles to keep up with the competition. The mysterious bankruptcy of AtlasGlobal calls for an assessment of corporate and business level

strategies to equip existing companies with the knowledge to improve their chances of success. To understand the causes of why AtlasGlobal failed, students are asked to conduct a strategic analysis of the company's actions taken during the company lifecycle phases. An event-based analysis can unveil possible strategic patterns that have contributed to the airline's closure. Is it possible that the sudden drifts contributed to strategic failure? Can the failure be attributed to the absence of a coherent strategy?

From a teaching standpoint, exploration of repetitive patterns associated with business activities can foster a meaningful discussion and learning from events as they trigger certain business behaviour and changes in the strategic process (Hutzschenreuter & Kleindienst, 2006; Peterson, 1998).

Teaching and Learning Objectives

The case supports a wide range of learning objectives:

1. *Apply strategic analysis to a real business case*
2. *Understand the new realities in strategic management research to develop strategic foresight*
3. *Appreciate the potential effects of diversification on competitiveness in terms of firm survival*
4. *Understand the strategic alignment between competitive positioning and organisational capabilities*
5. *Explore the link between corporate strategy and business strategy*

Target Audience

- Travel industry professionals/stakeholders
- Graduate students completing strategic management courses

Teaching Approach and Strategy

Sometimes strategy is realised as intended, and sometimes it never becomes actualised as planned. As a result, strategy evolves along the deliberate–emergent continuum. At the end of the strategy process, what matters most is to assess consistencies between emergent and deliberate strategies through the patterns of strategic choices. It makes it easier to diagnose the strategy realised within a sequence of interconnected events after the fall or the rise. The story of this case study is presented

through five strategic patterns (also phases) of behaviour. These phases are used to elucidate the change in strategic direction and consistency of strategies. Events as incident, decision, and action can be handled at three levels of analysis; country, industry, and firm. Consistent with this approach, the instructor can apply strategy analysis in the classroom by asking questions such as:

- Identify strategy patterns over an evolving stream of events
- Draw a diagram showing directions and changes in growth strategies, and assess the extent to which the intended growth strategy was realised
- Discuss how rapid changes in the corporate structure were managed as AtlasGlobal transformed into a more diversified company; evaluate the company's target market strategy at each evolutionary phase.
- Discuss whether applying cost minimisation strategy together with differentiation always brings failure; find similar cases to draw a comparison
- Assess why AtlasGlobal failed in the competition and drifted out of existence

Analysis

The case applies an event-based analysis to elucidate the fall of AtlasGlobal. The study has relevance to several perspectives of strategic management, including the Resource-Based View of the Firm, Positioning school of Strategy Formulation, Learning School of Strategy Formation.

Sample Answers

The main reasons leading to the failure of AtlasGlobal can be listed as follows (*for further details, please refer to the discussion*):

- Poor investment decisions
- Inconsistencies of resources and capabilities with strategies realised
- Higher operating costs
- The lack of a coherent strategy
- Over-diversification and stuck in the middle

An integrated framework for assessing strategy: Understanding strategy content in the evolutionary process of AtlasGlobal

Time Period		2001-2002	2003-2006	2007-2014	2015-2016	2017-2020
Strategy Phase		(1)	(2)	(3)	(4)	
Content of the strategy	Corporate Strategy	Concentration on charter flights (carrying Turkish workers working in Germany)	Specialisation in western markets	Diversification Horizontal extension along eastern markets; Vertical extension in unrelated business activities	Specialisation in western markets	Diversification Horizontal extension along eastern markets; Exiting unprofitable business units; Vertical extension in unrelated business activities
	Business Strategy	Narrow focus strategy	—————→			Broad differentiation strategy
	Market Targeting Strategy	Niche marketing	—————→			Undifferentiated marketing
Process of the strategy	Founding strategy	Deliberate strategy	Emergent strategy	Deliberate strategy	Emergent strategy	
		Intended Strategy	←—————→ strategy realised in the inconsistency of strategic choices across the corporate, business, and functional levels			Realised Strategy

Strategy Failures

Corporate level strategy wise, it is evident that there was no clear strategic direction of AtlasGlobal. Despite all the intentions to be executed a market specialisation strategy extending across western markets, AtlasGlobal failed in putting this intention into practice and often had to diversify in full coverage of the market. It did not make much sense for a company such as AtlasGlobal to enter eastern market segments with a wide range of distinguished services. The reason simply is that the company was incapable of creating superior customer value in different segments at the same time. Instead, it could be much more sustainable for the company to focus on a narrower market and build a stable market position with a reasonable resource base that meets its objectives and strategy.

Business level strategy wise, it can be inferred that AtlasGlobal was stuck in the middle airline with a blurred positioning in the domestic market. It pursued a differentiation strategy similar to Turkish Airlines. Still, broadly targeted differentiation strategy requires more economies of scale and financial capital as it is the exact

case in many full-service carriers like Turkish Airlines. Turkish Airlines has more experience (founded in 1933) in the Turkish market and is a dominant rival with an increasing number of domestic and international routes and expanding fleet number each year.

To address the needs of the price-sensitive customers in the domestic market, Turkish Airlines founded sub-brand AnadoluJet in 2008 located in Ankara; where Turkish Airlines is raising its airport bases into two. On the contrary, AtlasGlobal:

- acted in a similar way to a full-service carrier with fewer resources, yet communicated in a similar way to a low-cost carrier.
- treated the whole market as undifferentiated segment and settled for one-size-fits-all service in passenger transportation; either scheduled or charter flights.
- not at all a cost leader, not at all differentiated, not focused on niche segments; overall, stuck in the middle.

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Useful Websites

- Atlasglobal official website: <https://www.atlasglb.com>
- News: CNN Turk. <https://www.cnnturk.com/arama?q=atlasglobal>
- News: Dünya Gazetesi. <https://www.dunya.com/ara/haber?q=atlas>
- News: Haber Global. <https://haberglobal.com.tr/arama?q=atlas>
- News: Tourism Today. <https://www.tourismtoday.net/ara/?q=atlas>
- News: Turizm Aktuel. <https://www.turizmaktuel.com/arama?kelime=atlasglobal>
- News: Turizm Avrupa. <https://www.turizmavrupa.com/?s=atlas>
- News: Turizm Gunlugu. <https://www.turizmgunlugu.com/tag/atlas-global/>
- News: Turizm News. <https://www.turizmnews.com/haberler/atlas>
- News: Turizmin Sesi. https://www.turizminsesi.com/search_result.php?search_key=atlasglobal

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Chapter 21

The Role of Strategic Stakeholder Groups in the Air Transport and Tourism Industries



Bing Chan and Sik Kwan Tai

Abstract This case study sheds light on the air transport industry and the key historical choices made by the industry strategic member groups. With this understanding, it is possible to identify strategic patterns and potential problems that could limit the implementation of new opportunities contributing to better business in the post-COVID19 era. The case study invites readers to make sense of the current state of the air transport industry and the broader business environment to help re-think the strategic direction and choices of air transport strategic member groups – to promote responsible travel and tourism. To achieve this aim, readers are asked to refer to the traditional air transport distribution channel structure and use Porter’s Five Forces model and the PESTEL framework for a more comprehensive assessment. A clear understanding of the air transport context is likely to result in a more thoughtful outline of suitable future-driven strategic choices and scenarios.

Keywords Air transport distribution channels · Technological innovation · Networked stakeholders · Tourism services and activities · Distribution and operation management · Industry regulators · Service organisations

Introduction

The air transport industry acts as a gateway to national and international tourism destinations and plays a vital role in growing economies which depend on tourism. The industry includes aviation and civil aerospace, where decisions of strategic members, such as airports, airlines, general aviation, air navigation service providers (ANSPs), and aircraft manufacturers influence the playfield and strategic performance (Air Transport Action Group, 2018). The success of each member group is, however, also influenced by factors and events in the broader environment, including economic downturns, natural disasters, terrorism, emerging technologies and

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disease outbreaks. The COVID-19¹ pandemic outbreak resulted in border closures, lockdowns, domestic and international travel bans, flight cancellations and aircraft grounding. Responses made by governments, the industry strategic member groups and consumers, will likely result in structural changes within the air transport industry, which will consequently change the strategic playfield.

Figure 21.1 illustrates the traditional view of the air transport distribution channel structure, highlighting the connectivity and interdependence of each strategic member category.

While this traditional distribution channel view could guide the assessment of the air transport industry at any given time and context (e.g. national or international), the intricate power dynamics between the strategic members could be easily overlooked. Readers are therefore encouraged to look through the strategic lens and use the Porter's Five Forces model and PESTEL framework to provide a more comprehensive assessment of the current industry state. Porter's Five Forces model (Porter, 1979, 2008) is used to examine the industry market structure and industry attractiveness by assessing the bargaining power of suppliers and customers, the threat of the new entrants, product substitution and the competitive rivalry (Kotler & Armstrong, 2017); PESTEL framework is used to assess the impact of political, economic, social, technological, environmental and legal factors to help formulate company strategic direction and choices (Evans et al., 2003; Johnson et al., 2008;ENZ, 2009; Pearce & Robinson, 2014).

This case study (Yin, 2014) sheds light on the supply side of the air transport industry (Fig. 21.1). It encourages the readers to assess the past and current state of each industry strategic member group to figure out what is going on in the industry (Groff, 2011; Little, 2011; Sambell & Sambell, 2019). Understanding the structural elements and strategic choices made within each strategic member category can provide strategic foresight to what the post-COVID-19 air transport industry may look like. Is consolidation inevitable? How would COVID-19 change the supply side of the industry playfield? Is oligopolistic competition common in the air transport industry? Could the industry supply side promote more responsible consumption? What would this mean for each strategic member group? Which strategic member group has the highest legitimate power and interest?



Fig. 21.1 Traditional view of the distribution channel structure and strategic members, authors (2020)

¹COVID-19 – Coronavirus disease began in Wuhan, China in December 2019. World Health Organization (WHO) reported global confirmed death cases of over 880,000 as of 7 September 2020, <https://covid19.who.int/>

Aircraft Manufacturers: Commercial Airline Suppliers

The battles for global market share, sales and profits between Airbus and Boeing are ongoing and unrepentant as both companies are operating in a “super duopoly” market structure. This is especially evident after Airbus finalised the purchase of Bombardier’s 50.1% stake in 2018 (Pearlstein, 2018). There has never been an easy effort to battle for the leading global airframe manufacturer position. Opportunities arose in the 1990s when Boeing was fast losing its market share to the European-based manufacturer, the EADS,² also known as Airbus. In 2001, the EADS directors had committed the corporation to an objective that it had never before achieved – taking industry leadership from Boeing by building the largest commercial plane in the world, the Airbus 380. The A380 has 525 seats in a typical multiple-class seating configuration as compared to the Boeing 747–400 with 416 seats and priced as low as US\$116 m in 2013 (Dolan, 2013). The A380 can not only fly 621 miles farther than the 747, but the cost is also 15–20% less to operate (per passenger mile). With 50 orders of A380 aircraft in hand, the EADS announced that the new plane would be ready for delivery in 2006 with convictions of the hub-spoke network model to overcome airport slot constraints. The proposed A380 program decimated Boeing’s aircraft sales.

In contrast, Boeing’s management believed in a very different future scenario. Boeing was clearly a company in difficulty in 2004. Side-tracked by the 1996 acquisitions of McDonnell Douglas and Rockwell Aerospace, Boeing’s top management had spent the next few years strengthening the corporation’s historically weak position in the aerospace marketplace – especially the long-established commercial aviation production competency. The estimated market share of Boeing slid from nearly 70% in 1996 to less than half in 2003. In the 2000s, Boeing was evaluating an all-new narrow-body aircraft to replace the ageing 737, which first flew in 1967. As a result, the 737 MAX (172–230 seats), Boeing’s newest family of a single-aisle airplane was launched, together with the new 737 MAX 200 series based on the 737 MAX 8. Southwest Airlines is the largest Boeing 737 customer with 577 aircraft orders paid a low unit price of US\$34.7 million for its 737 MAX order of 150 (Leeham, 2012). In 2018, a milestone was made with the 10,000th 737 airplanes assembled in Renton, USA. The 737 MAX was designed with low fuel consumption, lower engine thrust, requiring less maintenance, quiet engine technology, less emission, modern-scripted sidewall with LED lighting interior and cost-saving model. Unfortunately, following the Lion Air and Ethiopian Airlines’ serious accidents, the 737 MAX series aircraft were grounded worldwide. Boeing asserts that defects, including sensor design, have been fixed with the FAA³ certification in 2020.

The Dreamliner 787 program created by Boeing took 14–20 years to design and develop for short- and long-range series. Boeing reportedly spent US\$32 billion before kick-off in 2004 with larger windows, seats, lavatories, and overhead-bins.

²EADS – European Aeronautics Defence and Space Company.

³FAA – USA Federal Aviation Administration.

Boeing's management predicted a market demand up to 3000 of such planes to meet the point-to-point traffic demands. To gain industry leadership with its 787 airplanes, Boeing needed to increase its manufacturing efficiency in production, downsizing and cost reductions by outsourcing 70% of its manufacturing to countries around the world. Boeing replaced aluminium with the lightweight composite materials for fuselage and wings to reduce the weight.

Entering the 2014's, Boeing 787 Dreamliner aircraft productions and deliveries stagnated. Japan Airlines grounded another 787 aircraft when there was "white smoke" observed outside the cockpit window during maintenance, a year after the same aircraft type was grounded over lithium-ion battery problems. The trouble-plagued 787 Dreamliner was a nightmare because it experienced a series of glitches, such as air pressure sensor, brake system and un-flushable toilet problems. Despite many challenges, Boeing still received 787 Dreamliner orders for over 1500 airplanes, from 72 airline customers (Boeing, 2020). However, only 972 of B787-8, -9 and -10 cumulative planes had been delivered. This characterised large production backlogs and long lead times.

The Airbus-Boeing super duopoly generated total revenue of about US\$101.13 billion in 2019. However, the acquisition of Bombardier Aviation by Airbus in 2018 for 50.01% (C.R., 2018) stake and an additional 25% stake in February 2020 for US\$591 million has shaken the market structure. In order not to be left behind, Boeing purchased 80% of Embraer SA for US\$4.2 billion in January 2020. Boeing received approval with restrictions from Brazil's national competition regulator, CADE.⁴ It is now awaiting the European Commission's scrutiny and approval. Brazil's Embraer SA is the third-largest producer of civil aircraft. It builds 70- to 150-seat segment passenger jets. Currently, other smaller market stakeholders include (1) Shanghai Comac⁵ with the capacity to produce over 150-seat aircraft that will compete with A320 and B737; (2) Japan Mitsubishi Heavy Industries producing 70–90 seats MRJ aircraft; and (3) Craic,⁶ a Russian and Chinese subsidised manufacturer established in 2016.

Amidst the COVID-19 pandemic in June 2020, Airbus and Boeing have taken the necessary measures to reduce severe impacts, such as deploying "adaptation plan" which included a planned 15,000 worldwide workforce reduction and seeking of European government's support due to a 40% drop in business activities (Airbus, 2020). Similar to Airbus, Boeing also retrenched over 16,000 jobs whilst receiving 737 MAX cancellations orders from airline customers (Johnson & Ajmera, 2020).

⁴CADE – Administration Council for Economic Defense (in Portuguese, Conselho Administrativo de Defesa Econômica).

⁵Comac – Commercial Aircraft Corporation of China, Ltd., Chinese state-owned aerospace manufacturer established in 2008.

⁶Craic – China-Russia Commercial Aircraft International Company.

Commercial Airlines: Seat Inventory Producers

Japan's All Nippon Airways is the largest Boeing 787 aircraft customer. In order to receive favourable list price on an aircraft purchase, it announced in February 2020 that it would buy additional 20 Boeing 787 Dreamliners worth US\$5 billion. Back in 1997, airlines such as American Airlines, Delta Airlines, and Continental Airlines, each agreed to appoint Boeing as their exclusive supplier to purchase bulk jet aircraft for the next 20 years. Airlines are operating in a very competitive business environment and need to battle for survival by exercising exclusivity practice at discounted prices with flexible delivery time. Airline management groups value this monogamy practice due to the operational commonality of aircraft. The same fleet of planes from one aircraft manufacturer allow airlines to lower the costs of pilot training and keeping inventory of spare parts. This also means that Boeing is guaranteed 13% of estimated steady sales in large commercial aircraft for the next 20 years. With no new competitors, Boeing can maintain its dominant market position. Additionally, Boeing can spread the high costs of aircraft program definition and high-skilled labour costs by increasing large-scale production. Consequently, it lowers the labour cost input per unit.

A unique characteristic of the commercial airlines' operating environment is that most airlines operate in very oligopolistic market conditions. In the US domestic market, there are four major airline players, namely, American Airlines, Delta Airlines, low-cost Southwest Airline and United Airlines. They made about 80% of the US market in 2015. Likewise, in the European skies, the low-cost Ryanair, Lufthansa Group, International Air Group and Air France-KLM have been dominating the European aviation market. Ryanair operates 400 planes while EasyJet Plc has 250. This situation is very similar to the Asia-Pacific region where full-service airlines like Japan Airlines and Cathay Pacific Airways see their profits eroded due to the competition from low-cost rivals, such as China's Spring Airlines, Hong Kong's HK Express, Indonesia's Lion Air, Japan's Peach and Malaysia's AirAsia.

To enter the market, newcomers would require substantial economies of scale, start-up capital, airport gate access and timeslots. Airlines can compete on the bases of similar or differentiated products, which are mutually dependent on the actions of other airlines. An airline can expand and grow through merger and acquisitions, joint ventures or by joining alliances to increase their dominance in the aviation market. The airline operating profit margin is highly influenced by passenger demand, which is measured in RPKs⁷ and ASKs.⁸ In November 2019, the RPKs rose to 3.3% year-on-year, ASKs rose by 1.8%, and the average PLF⁹ hit a record as it increased to 81.9%. In 2019, the system-wide global commercial airlines received US\$25.9 billion in net profit.

⁷RPK – Revenue passenger kilometres.

⁸ASK – Available seat kilometres.

⁹PLF – Passenger load factor.

Airline management is highly concerned about labour and fuel cost factors and passenger- and cargo-generated revenue and profit to pay suppliers. In 2019, a typical airline achieved 6.7% of return on invested capital; North American region reached 9.9%, and the Asia-Pacific region reached 3.2% below the North American levels. North American airlines have made structural improvements and managed low fuel prices using hedging (average US\$63/barrel oil price) in 2019. Comparatively, the highly competitive and currency floating Asia-Pacific region ended with thinner operating margins.

The IATA and Tourism Economics have predicted that the travel and the airline industries will experience a low-to-moderate growth in the next few years, as the PLF is fast declining. Currently, commercial airlines rely on marketing and distribution channels to increase their passenger loading, including their own direct booking systems and retail travel agencies.

The travel and the airline industries are also highly susceptible to changes in the broader environment, such as economic downturns and health risks. For example, in 2003–2004 the industries were impacted by SARS, in 1999 by an Internet boom, and in 2020 by COVID-19 pandemic. To put things into perspective, international arrivals dropped by 1.7% in 2003, and in Asia-Pacific, the drop was much higher (–8%) (UNWTO, 2006). The total international tourist arrivals grew 5% compared with 2017 (1.3 billion) and reached 1.4 billion in 2018 (UNWTO, 2019). According to the UNWTO (2020) data, the crippling effect of the COVID-19 pandemic is likely to result in a 60–80% decline in international tourist arrivals in 2020.

Retail Travel Agents

Apart from leveraging airline alliances for passenger loading and ticket sales, “airline retailing” is also gaining attention in search of competitive advantage. The ability of airlines to personalise marketing and distribute their product offerings directly to passengers is the key to value creation. The travel buyers demand faster, more personalised travel content relevant to their specific needs. The airlines minimise direct dependency on travel agents and global distribution systems (GDSs) to meet sales and revenue targets for more dynamic responses to market needs; especially so after the introduction of e-ticket in 2007.

Many travel buyers can book directly through airline websites using the Internet. However, some travellers still prefer and rely on the travel agents for their diverse tourism services, whether the reservations are online (OTAs such as [expedia.com](https://www.expedia.com) or [trip.com](https://www.trip.com)) or offline. According to IATA, there were over 56,000 IATA accredited travel agents (ticketing agents) and over 168,000 registered travel agents operating in 207 countries/territories in 2019. More specifically, in the Hong Kong SAR, there were 1742 licensed travel agents in 2019 as compared to 1556 in 2010. Interestingly, there has been 11.9% growth in the last 10 years (TAR, 2020). Moreover, Phocuwright research indicated that in 2017, 52% of all US travels were still booked offline, via travel management companies (TMCs) (Sileo, 2018).

Travel wholesalers and retailers are acting as the intermediaries linking the travel buyers and the airlines together. When business travellers have complicated routes or simply do not have the time to research and cannot book the travel themselves, TMCs can be extremely helpful. Travellers could be tourists to the local attraction sites, passengers to the airlines, or guests to the hotels. Consequently, the broader tourism industry (accommodation, tour operators, air transport) is supplying services at different stages of the value-chain activities and linking the tourism-generating countries, en-route destinations and the destination countries. Today, there is an increasing competition between online airline service and travel agencies. In particular, the Internet has begun to eat into the hegemony currently enjoyed by the travel agents and the GDSs. In 2020, travel agencies are gradually adapting to the COVID-19 travel restriction environment, which strategically re-thinking of current and future strategic directions and product/service offering procedures.

The Internet: GDS or NDC

Traditionally, the travel agencies, as part of the reservation procedures, relied on Computer Reservation Systems (CRSs)/Global Distribution System (GDS) for airline services, farepricing and ticketing to provide travel-related services to the travellers. CRS is the primary technological instrument used by airlines to maintain seat inventory control, departure control and crew scheduling systems. The GDS takes from the CRS seat inventory system of many airlines and distributes it via travel agents. Specifically, the GDS handles seats not only from one to multiple airlines but also allows the travel agents to receive instant confirmations among various travel service providers, such as inter-airlines, hotels, car rental companies and cruise liners. Moreover, it is a B2B channel for an airline CRS on one side, and on the other side, a GDS connects to a travel agent's terminal, OTA, app, or a website via API. The GDS aggregates tourism product/service offerings. The travel agencies pay a monthly subscription fee based on GDS usage. To lower the monthly charges, agencies had to make more bookings through the system.

In recent years, the GDS industry has been consolidated to three major global distribution system providers – namely Amadeus, Sabre and Travelport (see Fig. 21.2). In 2010, the three GDS providers collectively supplied a total of over 500 airlines, over 90,000 hotels and 30,000 car rental locations, which represented about 90% of the market share. Other regional and smaller players like Travelsky (China), KIU System (Latin America), Sirena-Travel (Russia), Axess and Infini (Japan) are on the rise.

Three major Global Distribution System (GDSs)	
amadeus	Sabre
Travelport	
<p>1987 - Air France, Lufthansa, Iberia, SAS</p> <p>1995 - Continental Airlines bought 12.4% share</p> <p>1999 - Went public, Paris, Frankfurt, Madrid (delisted 2005)</p> <p>2010 - Amadeus IT Holding S.A, Spanish stock exchanges</p> <p>2014 - Air France sold a 3% stake</p> <p>2018 - Acquisition of TravelClick</p>	<p>1964 - IBM & American Airlines developed the first CRS Sabre</p> <p>1988 - ABACUS Int'l (Singapore Airlines, Thai Airways, Cathay Pacific) established</p> <p>1995 - Joint venture with WorldView & created Travelocity, sold to Expedia (2015)</p> <p>2000 - American Airlines lefted</p> <p>2007 - formed as Sabre Corp., delisted</p> <p>2015 - Sabre acquired ABACUS Int'l, owned by 11 airlines</p> <p>2020 - SABRE-Farelogix merger cancelled</p>
<p>Major historical events</p>	<p>1971 - UA [Apollo computerized reservation system (CRS), owned by Covia];</p> <p>1992 - Galileo & Covia merged, Galileo International</p> <p>1999 - BA sold shares , UA reduced ownership to 15%, SR 5%; public 75% (went public, 1997)</p> <p>2001 - Acquired by Centand Corp. UA divestment</p> <p>2007 - Galileo and Worldspan merged</p> <p>2014 - NYSE IPO, TVPT (spin-off of Centand Corp)</p> <p>2019 - Acquired by Siris and Evergreen, privatised</p>
<p>Founding airlines:</p> <p>Customer Portal:</p> <p>Business segments:</p>	<p>American Airlines</p> <p>Virtuallythere</p> <p>Travel Network, Airline Solutions and Hospitality Solutions</p> <p>Abacus, Over 700 airlines</p> <p>545 (415+130)</p> <p>36% (2018)</p>
<p>Own portals (2019):</p> <p>Participating airlines (2000):</p> <p>Market share by no. of segment transactions, estimated:</p> <p>Revenue in Total (2018):</p> <p>Adjusted EPS (2018):</p> <p>Adjusted EBITDA (2019):</p> <p>Strong market regions (2019):</p>	<p>UA, AC, DL, BA, KL, SR, AZ</p> <p>ViewTrip, myTrip</p> <p>business-to-business (B2B) travel platform, Travel Commerce Platform</p> <p>Galileo, Worldspan & Apollo</p> <p>Over 500, 125 LCCs, 19%</p> <p>\$2,551,064 (net)</p> <p>\$1.46</p> <p>\$590,117</p> <p>Decreasing in all region (Europe, Africa, ME, Asia)</p> <p>www.travelport.com</p>
<p>Main source: https://corporate.amadeus.com</p>	

Fig. 21.2 Three major global distribution system providers, authors (2020)

Amadeus Global Travel Distribution Systems

Amadeus was founded by four European airlines, namely Lufthansa, Iberia, Air France and SAS. Amadeus set up their data centre in Germany, 1992. The Continental Airlines bought 12.4% shares of Amadeus in 1995 with the remaining founding airlines sharing the rest equally. Despite its late entrance to the GDS industry, it is now the world's largest GDS in the travel agency air booking segment. In 1996, Sabre took over Preview Travel and its subsidiary Travelocity and became one of the biggest online travel websites.

However, Sabre later sold Preview Travel to Expedia Inc. for US\$280 million in 2015. Amadeus is now focused on Distribution and IT solutions for the airline and airport business segments. In 2018, Amadeus acquired TravelClick, diversifying into hospitality industry ventures. Amadeus planned to spend in 2019 17.3% of its revenues on R&D, or €965.3 million for integrating newly acquired businesses and enhancing the robustness performance of its customer Travel Platform. In 2019, Amadeus directors proposed a 50% payout ratio to the stockholder as a dividend.

Sabre Global Travel Distribution Systems

In 1965, SABRE¹⁰ could process a new airline booking in seconds with two IBM mainframes when compared to the need of 90 min to be processed in the previous manual system. This Programmed Airline Reservation System (PARS) is the origin of today's passenger name record (PNR) datasets. SABRE was owned and introduced in the late 1970s as the operating unit of the Sabre Group Holdings, a public company controlled by the parent company of American Airlines. Unlike Galileo or Amadeus, SABRE was mainly focusing on the North American market. However, its global expansion has led it to the Asia-Pacific and Australian regions, merging with Abacus and marketing with the local Fantasia CRS in the late 1998s respectively. In 1995, the Worldview Corporation set up a joint venture with SABRE for Travelocity development. However, Worldview Corporation was acquired by Expedia 10 years later in 2015. SABRE announced in 2018 the creation of the Travel Solutions, which consisted of the Travel Network, Airline Solutions Sabre and Hospitality Solutions business segments. This new organizational structure reinforces its focus on the next generation of retailing, distribution and fulfilment. In a mid-2019 development, SABRE's US\$360 million planned acquisition of Farelogix raised competition concerns. Farelogix was providing sophisticated airline products and has developed New Distribution Capability (NDC) – a new IATA technology standard to allow the distribution of fares and ancillaries (for example, baggage service) through third parties. The UK CMA¹¹ and the US Department

¹⁰SABRE – Semi-Automated Business Research Environment, an automated system.

¹¹CMA – Competition and Markets Authority.

of Justice (DoJ) were investigating this proposed SABRE-Farelogic merge to determine whether it was anti-competition or not. The concern from both governments is pertinent to whether after the completed merge, the airline distribution market would not face enough competition from other GDSs, leading to higher prices or lower quality services as well as less innovation. After the CMA's April 2020 "merge block" result, SABRE has announced the SABRE-Farelogic merger cancellation (CMA, 2020; SABRE, 2020).

Galileo and Travelport Global Travel Distribution Systems

Galileo International, a CRS consortium of eight European airlines was formed in late 1992 after it merged with Covia (United Airlines's Apollo CRS). The two CRSs were technologically consolidated with a data centre in Denver in 1994 after the trans-Atlantic transfer of Galileo's data centre from Swindon, UK to become the world's first global CRS. By 2006, Galileo International had a network of over 8000 local travel professionals working in more than 140 countries with 20 leading brands, including the US\$1.2 billion Orbitz. In 2007, Worldspan, the fourth of the major GDSs that lagged considerably behind the other three GDSs, was acquired by Galileo. Cendant Corporation, a New York-based provider of travel and residential real estate company, acquired Galileo International in 2001. Cendant took the company to the New York Stock Exchange in 2014 under the spinoff name of Travelport (TVPT). Travelport announced on 10 December 2018 that it became a privately owned company after it was acquired¹² for a cash transaction valued at approximately US\$4.4 billion, including the assumption of around US\$2 billion in debt. Furthermore, the common shares of Travelport will no longer be listed on the New York Stock Exchange. Travelport has now positioned itself as a B2B4C company.

Competing airlines accused CRSs/GDS of employing tactics to lock in advantages, such as longterm contracts and attractive booking segment incentives. The CAB¹³ regulated the airline industry stepped in to investigate and issued rules to normalise the relationships between the CRS providers with the airlines and the travel agencies in 1984. The Computer Reservations System Regulations sometimes referred to as the "fairness rules" that outlawed computer display bias, functionality bias and discriminatory booking fees, which were eliminated or allowed to expire in 2010. This regulatory structure led to a strong product commoditisation where the airlines could effectively compete only on price and flight schedule. The aftermath was that none of the major distribution systems was majority owned by the airlines. Nevertheless, travel agents still favour American GDS for American flights over other airlines. The airlines dubbed this phenomenon the "halo" effect.

¹² Acquired by affiliate of the Siris Capital Group, LLC ("Siris") and Evergreen Coast Capital Corp.

¹³ CAB – U. S. Civil Aeronautics Board.

Recently, the COVID-19 outbreak has disrupted the GDSs industry intensively. Amadeus has announced “efficiency plan” that includes €300 million reductions for capital expenditure, cancellation of €320 million dividend payout and enhance cash-flow through the capital raising of €1500 million, considering that travel agency bookings have declined 47.7% in the first quarter in 2020 (Redondo, 2020).

New Distribution Capability

Automation of airline reservations pioneered the online transactions and has been a key driver in the networked digital era. In 2012, as part of the evolution of the global travel and tourism industry, IATA initiated new technological standards – the NDC. New Distribution Capability (NDC) is considered a modern standard capability, even though it is XML-based, which is supposed to allow airlines to bypass the GDSs and break the oligopoly of GDSs that has formed over time.

The IATA NDC aims to simplify every travel booking transaction that is tied to one single source or reference record number, traditionally known as Passenger Name Record, the PNR or accounting documents.¹⁴ A reference number would encompass all tourism related activities and booking references, named as ONE order. The NDC enhances the capability of communications between airlines and travel agents and is open to any third party, intermediary, IT provider to use. This can render data consistency and enhanced speedy reporting. This de-specialising the airline industry and an innovative Amazon-style retail architecture offering is ready for a “game-changer” in the next five-year period.

In 2018, Galileo became the first GDS operator to manage the live booking of flights and tickets using the NDC standard and received new distribution capability technology certification. Airliners such as Lufthansa and American Airlines were the first to adopt the NDC standard. In 2017, Lufthansa moved away from GDS and established direct channel booking on its website. This move led the travel agencies to invest in direct connection technical infrastructure needed to create a GDS-free platform.

Industry Regulators: IATA and ICAO

The International Air Transport Association (IATA), founded in 1945 with the mission to represent, lead and serve the airline industry 290 airlines, 82% of the total scheduled traffic in 2018 (IATA, 2020). IATA aims to advocate a more balanced customer-supplier relationship between airlines, airports and ANSPs. Working

¹⁴accounting documents – such as E-Tickets and electronic miscellaneous documents (EMDs) for ground transport and hotel nights.

agendas include private ownership of airports and fit-for-purpose economic regulation. From 2015, one of its agendas has been the implementation of NDC and the ONE Order standard to gain wide acceptance by the airlines. In contrast, the ICAO¹⁵ is a governmental organisation that considers aviation political, technical issues and adopts Standards and Recommended Practices each member state implement in law or regulation.

Airport Operators

An airport is a designated area used for aircraft take-off or landing, including any related facilities and buildings. For example, a typical airport terminal building would house the security and immigration facilities and duty-free shops. ICAO (2013) considers that airports are monopolistic providers as there is only one air navigation service provider and government tax authority. There were 3759 airports (41,820 airfields worldwide) with scheduled commercial flights in 2018. Airlines and passengers were estimated to have paid at least US\$133.5 billion for the use of airport and air navigation infrastructure services globally in 2017. The number of capacity-constrained airports continues to grow throughout the world, requiring a slot process to manage the allocation of resources. In 2019, there were 204 slot coordinated airports worldwide following the WSG¹⁶ Amsterdam, London and Hong Kong are categorized as “super congested” airports. The major low-cost carriers use a significant number of slots at congested airports and are firm supporters of the WSG, which has enabled them to enter crowded markets to grow with certainty. The economic driver for revenue of the airport operators is from the airlines and shops. Shift from a single till to hybrid or dual till can attract more private bidders, but this also allows airport operators to commercially source revenues at the expense of aeronautical facilities and costs (Wensveen, 2011). Consequently, the trend in airport privatisation and raising aeronautical charges concern all stakeholders in the air transport industry.

Discussion and Questions

Eight months on, the COVID-19 crisis continues to loom on all sectors of the air travel and tourism industries. It is impossible to predict when the pandemic will end. Nonetheless, the future success of the air transport industry may lie in the strategic choices made now by the air transport strategic member groups. Can airlines, aircraft manufacturers, airports, and the GDSs providers collaborate with the

¹⁵ICAO – International Civil Aviation Organization.

¹⁶WSG – Worldwide Slot Guideline.

industry regulators and other members of the travel distribution channel to craft better and safer post-COVID air transport strategies? Could the industry supply side promote more responsible consumption?

Conclusion

This case study shed light on the air transport industry and its changing context. It offered a historical overview of the key industry member groups. In the context of the current health risks associated with COVID-19 pandemic, it invited readers to explain what is going on in the industry to discuss what the post-COVID-19 playfield may look like. While some consolidation within the air transport industry is expected, there is now an opportunity to strategically re-think and re-focus the supply side playfield to grow responsible and economically viable tourism consumption.

Teaching Note

Case Summary

This case study sheds light on the air transport industry and the key historical choices made by the industry strategic member groups. The case study invites readers to make sense of the current state of the air transport industry and the broader business environment to help re-think the strategic direction and choices of air transport strategic member groups – to promote responsible travel and tourism.

Teaching and Learning Objectives

1. *Critically assess the air transport industry and the role each strategic member group plays in the current strategic playfield*
2. *Apply strategic management concepts to a real case study and develop suitable future driven strategies*
3. *Use critical thinking and creative skills to propose supply-side strategic direction and choices, which could contribute to better post-COVID air transport playfield*

Target Audience

Intended for the undergraduate and/or master-degree students on courses such as:

Courses	Studied or mastered
Strategic Management for the Tourism Businesses	Macro- and micro-environmental factors (broader environments), stakeholder concepts (for example, Donaldson & Preston, 1995)
Airline Marketing	Distribution channel, marketing and market structure concepts
Airline Management	Stakeholder concept (for example, Donaldson & Preston, 1995),
Distribution Channel	government policies on single- and dual-till concept
Management for Tourism	
Airline and Airport Management	
Air Transport Management	
Tourism Policy and Law	
Aviation Policy	

Teaching Approach and Strategy

The lesson should begin with an overview of the key strategic terms and concepts highlighted in this case study. For example, the meaning of “duopoly competition”. Overview of the current macro-environment and the state of the industry should be guided by the PESTEL framework and Porter’s five forces model.

When analysing the case, students should:

1. Draw a timeline of events or historical developments in each strategic member group category to identify trends and make contextual assumptions.
2. Ask:
 - who are the major competitors in each member group category?
 - are the sectors entering a growth or maturing stage? (explain)
 - what were the key sector-specific strategic decisions or changes? (identify the causes/drivers)
 - what are the most common internal/external issues that a typical airline may face? (consider different times and contexts)
3. Provide recommendations – strategic direction and choices with a future-driven action plan; justify who should be responsible for the changes to achieve the desired outcomes.

Case study questions and sample answers:

1. With reference to commercial airlines, perform Porter’s Five Forces analysis for the air transport industry. Assess the highest potential threat with relevant justification.

Barriers of entry: high to moderate

Customers: collectively high potential force, many in numbers

- “airline retailing” through personalisation, value-based marketing for direct
- Substantial economy of scale and capital, such as costs of start-up, airport gate and timeslot
- Airlines need to purchase/lease aircraft, for example, All Nippon Airways purchased 20,787 Dreamliners worth Boeing \$5 billion; management is concerned with high aircraft, fuel and labour cost factors – representing about 22% of operating costs; LCCs may have lower operational cost advantages
- Pass airline and pilot government certifications
- channel distribution
- Indirect customers (travel agencies acting as intermediaries, wholesaler or retailer)

Suppliers: high potential force, duopoly suppliers

- Boeing and Airbus – not easily replaced due to operational commonality and exclusive supplier contract; adverse economy of large-scale production (higher-skilled workforce) means unable to sell in a large number of aircraft, hence the backlogs and advance orderings
- High-to-moderate depends on fuel cost or leverage

Competitive rivalries: high level competitive rivalry; full-service carriers as well as low-cost carriers – over 290 IATA airlines

Substitutes: high to moderate potential force

- Transportation services can be easily replaced; e.g. high-speed trains, cars, or coaches

2. Use Porter’s Five Forces to assess the Global Distribution System (GDS) business environment. What is the key threat in the case of Amadeus? Explain.

- A barrier to entry: high. High start-up costs, GDS takes many airline CRS seat inventory systems and distributes them via travel agents
- Customers: moderate. The retail/wholesale travel agencies are the customers of GDSs; travel agencies rely on GDS for airline services, fare-pricing and ticket issuance
- Suppliers: moderate. In 2010, the three GDSs collectively supplied over 500 airlines, 90,000 hotels and 30,000 car rental locations as inventories
- Competitive rivalries: High potential force. Three major GDSs dominate the industry, but in future, airlines could be the direct channel
- Substitutes: High-to-moderate force. For example, Lufthansa Airlines use new technology like NDC as disintermediation

3. Explain the meaning of oligopoly, duopoly, monopolistic-competition, and perfect market with reference to the Airbus and Boeing market structure. Do you think it is possible to promote consolidation in the aircraft manufacturer market?

- Monopoly: Anti-competitive activities such as dominant position, abuse of buying power and/or attempt to monopolise so that higher price, fewer choices

are available to the consumers; market share and concentration factors should be considered

- Oligopoly/Duopoly: A market structure with high entry barriers, a few firms offer similar products like Airbus and Boeing that dominate the market
- Further consolidation is possible after the Boeing- Embraer merger

4. Identify the external and internal stakeholders of a typical commercial airline. Which stakeholder has the highest legitimate power and interest? Why?

Government regulators, e.g. US DOT to determine industry competitiveness. Hence, regulators may have a higher legitimate power over other stakeholder groups.

<i>External stakeholders:</i>	Legitimate power (High/medium/low)	Interest (High/medium/low)
Direct end-user		
Indirect customers, e.g. travel agencies		
Government regulator, e.g. CMA, US DOT		
Suppliers, e.g. GDS		
Investors/banks/stockholder(s)/creditor(s)		
Alliance partners, e.g. Skyteam		
Local communities		
Union(s)		
Airport operators		
Other(s)		
<i>Internal stakeholders:</i>		
Employee		
CEO/Board of directors		
Owner(s)		
Other(s)		

5. How do you think the COVID-19 pandemic will impact short- and long-term international tourist arrivals? How would you compare the Covid-19 situation and impacts to SARS? Discuss.

This question is open for class discussion. If the COVID-19 impact has a SARS shaped profile with UNWTO forecasted a short-term decline of a 60–80% international tourist arrivals in 2020, then it’s dramatic ups and downs.

6. Define the term ‘operational commonality’ and describe its importance to a typical airline. What are the implications for strategic developments?

- Monogamy practice in airline management
- On the rise due to airline’s reliance on one airplane fleet with one aircraft manufacturer to reduce costs of pilot training and spare parts inventories (also refers to aircraft commonality)

7. Use the Internet to find out more about the Commercial Aircraft Corporation of China, Ltd. (Comac). Do you think Airbus's A320 and Boeing's B737 can compete with Comac's aircraft? Why or why not?
 - Comac has the capacity to produce over 150-seat aircraft. Students may provide any other acceptable answers with justifications that relate to short- and long-term effects.
8. Conduct PESTEL analysis and describe the macro-environment for the air transport industry.
 - Airline: political: regulators – e.g. ICAO; economic: inflation and interest rates; social/environmental: employment rate, social trends, privacy and security concerns, aircraft emission, health risk; technological: aircraft innovations, online reservation, NDC influence on distribution channel
 - Airport legislator versus private investor (for management expertise and cost efficiency)

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Part VI Destinations

The final set of cases in **Part VI** concern destinations and aspects of their management.

In **Chapter 22** Bridget Tombleson and Katharina Wolf use traditional and social media commentary and reporting to investigate the closure of the Uluru (Australia) to climbers. The case reviews the complex debates and highlights issues in change management processes in the decision to change access as part of the sustainable management of this UNESCO World Heritage Site.

Also in Australia, **Chapter 23**, by Debbie Cotterell, Sarah Gardiner, Margarida Abreu Novais, Natasha Montesalvo and Ross Westoby, is a case study of crisis management. Focusing on the Binna Burra Lodge in Queensland, the chapter considers the aftermath of the 2019 bushfires, including the importance of staffing, communications, and stakeholder management.

The AlmiraMAN Triathlon Event in Greece is the focus on **Chapter 24** where Sofia Gkarane and Chris Vassiliadis consider the issue of tourism seasonality and Destination Marketing Organisations. The chapter also evaluates the impact of small-scale events on the local community.

Chapter 25 by Kim Nelson, Rosemary Black and Larissa Bamberly is a case study of the development of Niseko in Japan from an agricultural village to an international ski resort. The chapter uses narratives from three tourism business owners to consider the social-cultural impacts of tourism and uses the concept of cosmopolitanism to understand tourism hosts and tourism spaces.

The final case study, **Chapter 26** by Marco Ocke and Allan Platt, returns to Australia and considers the destination repositioning of the Gold Coast in Queensland. Using a place branding perspective, students consider the destination's assets and propose possible repositioning strategies.

Chapter 22

Sustainable Tourism and Public Opinion: Examining the Language Surrounding the Closure of Uluru to Climbers



Bridget Tombleson and Katharina Wolf

Abstract The decision to cease the climbing of one of Australia's major tourist attractions, the UNESCO World Heritage site Uluru, on 26th October 2019, has attracted much controversy, debate and worldwide attention.

This case study explores traditional media commentary and reporting as well as social media discussions in the lead up to the closure of the climb. Drawing on framing theory, three key frames emerge that illustrate the opposing perspectives on the role of destination tourism. Through the economic lens, UNESCO World Heritage attractions like the Uluru climb perform a crucial role in supporting a country's economy. As a national treasure, the rock should be freely accessible to all Australians (entitlement frame). However, the inclusive sustainability worldview considers a site's history, contemporary relationship with the (local) community and potential for future generations.

This case highlights issues in change management processes with regards to access to heritage sites. Insights into the narrative in the lead up to the closure of the climb enable readers to explore the complexities surrounding the desire to shift towards a more sustainable tourism model.

Keywords Sustainable tourism · Uluru · Destination travel · Indigenous Australians · Selfietourism · Overcrowding

Introduction

Increased visibility, selfie-tourism (Dinhopl & Gretzel, 2016) and social media inspired pilgrimages (Magasic, 2016) have placed immense pressure on many well-known tourism locations around the world (Pearce & Moscardo, 2015); and with it,

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controversy has followed. Social media has changed the way people research, discuss and share travel experiences. Most notably, social media have turned tourists into co-designers, co-producers and essentially comarketers of tourism information and offerings (Sigala, 2019).

Many UNESCO World Heritage sites face increasing pressure due to rapidly growing tourist numbers, leading in some cases overcrowding (Seraphin et al., 2018; Vecco & Caust, 2019), which makes their future unsustainable. In Australia, Uluru, the large UNESCO World Heritage listed sandstone rock formation, has been a major drawcard for domestic and international tourists, attracting more than 395,000 visitors per year (Mackay, 2019). *Climbing* Uluru has been a major part of the tourist attraction.

In 2019 Uluru, the famous red-rock in the centre of Australia was closed permanently to tourists wishing to climb the monolith, a move that ignited a fierce debate about the role, benefits and future of destination tourism. Communication plays a significant role when changes to tourism locations and offerings around the world occur, and this is highlighted in this case study that explores sustainable tourism, first nation people's rights and behaviour change within the context of Uluru, Australia. This case study highlights the crucial role of communication in positioning and justifying the establishment of sustainable tourism destinations that can be enjoyed for generations to come. The challenges associated with changes in tourist offerings (i.e. closure to climbers) and cultural beliefs surrounding sustainability will be discussed in this case study, inviting readers to explore best practice approaches and outcomes in the context of sustainable travel destinations.

Background

The Role of Tourism in Australia

Tourism is one of the world's fastest growing industries and a major income source for many countries, including Australia. Tourism income is vital to Australia's economy and plays a key role in many sectors across the country. The country relies on it for employment, investment and growth (Tourism Research Australia, 2019). Tourism is a \$152 billion industry that directly employed 666,000 people in 2018/19. It accounts for 8.2% of Australia's exports earnings and is a key driver of Australia's economy, contributing \$55.9 billion to Australia's total GDP. Australia welcomed more than 9 million overseas visitors during the same period (Tourism Research Australia, 2019).

The Significance of Uluru

Uluru is one of Australia's (and indeed the world's) most recognisable landmarks. The monolith is located in the centre of Australia, 335 km from Alice Springs, the capital of the Northern Territory. Standing 348 m high with a total circumference of 9.4 km, 'the rock' holds an iconic place in many Aboriginal Dreamtime stories and is iconic in the minds of Australians. The site received World Heritage listing in 1987, recognising it as a place of outstanding universal value. World Heritage sites are recognised areas, structures, or sites, which due to their significance are marked for special protection that shelters them from development, tampering or any transformation that may cause them harm. The Uluru-Kata Tjuta National Park is known for its striking physical landscape, including its rock formations, which contrast sharply with the surrounding sand plains and desert, referred to as "an exceptional combination of natural and cultural elements" (Parks Australia, [n.d.-b](#)).

The rock has a history that dates back to Aboriginal Dreamtime, referring to the time when Ancestral Spirits moved across the land and created life and important physical geographical formations and sites. Aboriginal people are believed to have been in the area for at least 30,000 years (Parks Australia, [n.d.-a](#)). The European history of Uluru is much more recent, dating to 1873 when Englishman William Christie Gosse climbed the monolith and named it 'Ayers Rock' after Sir Henry Ayers, Chief Secretary of South Australia (Parks Australia, [n.d.-a](#)).

Today, the Uluru-Kata Tjuta National Park Board manages the park under Parks Australia, a joint agreement between the local Anangu people and the Australian government (Parks Australia, [n.d.-a](#)). The board is made up of eight Aboriginal members, two federal minister nominated positions (tourism and environment), one Northern Territory nominated position, as well as the Director of National Parks (Parks Australia, [n.d.-a](#)).

Since the park was listed as a World Heritage Site, annual visitor numbers have steadily risen. Increased tourism provides regional and national economic benefits. Northern Territory tourism contributes \$2.25 billion to the regional and hence the Australian economy (Tourism Central Australia, [2019](#)); \$851 million of this is being generated in what is known as the Red Centre, the southern desert region of the Northern Territory. Tourism is a major source of employment, engaging 16,000 people in the Northern Territory (Tourism Central Australia, [2019](#)). Uluru and Kata Tjuta National Park are key attractions, with over 395,000 domestic and international travellers visiting the site in 2018/19 (Mackay, [2019](#)). Visitors come from all around the world with Japan, the USA, the United Kingdom, Germany and China representing key visiting countries. The region is serviced by two airports – Alice Springs and Ayers Rock Airport – the latter of which caters explicitly for visits to the world famous monolith (Northern Australia Infrastructure Facility, [2018](#)).

The Uluru Climb

Visitors to Uluru started climbing the rock as early as in the 1930s. A climb chain was installed for safety reasons in 1964 (Parks Australia, [n.d.-a](#)), without consultation of the area's traditional owners. Adverse environment impacts on the rock, and the surrounding national park, have become apparent since earnest development of the park for tourism began in the 1950s (Department of Agriculture Water and the Environment). Ownership of Uluru and the Uluru-Kata Tjuta National Park was handed back to the local Anangu people in 1985 (Parks Australia, [n.d.-a](#)). The traditional owners have historically requested visitors to abstain from climbing the 348 m rock formation, citing cultural reasons, as well as welfare concerns for visitors to their land (since the 1950s at least 36 people have died while climbing Uluru). Uluru is a deeply spiritual and sacred place for the Anangu people (Sacred Land Film Project, [2014](#)). For them, every cave, feature and crevice of the formation has its own meaning (Parks Australia, [n.d.-a](#)). However, the climbing of the monolith continued. Signage (see Fig. [22.1a](#)) at the site has been in place since the 1990s, requesting visitors not to climb the rock out of respect for the wishes of traditional owners. The signs are part of an education campaign by the Anangu people, which has been credited for the gradual decline in tourists choosing to climb the rock (Parks Australia, [n.d.-a](#)).

There are three key reasons for the closure of Uluru to climbers – cultural, environmental and safety (Parks Australia, [n.d.-b](#)).

1. **Cultural** – the rock has always been of great significance to the Anangu people, citing it as a spiritual and sacred site with links to their ancestors. Unsocial and disrespectful behaviour of tourists on the rock (urinating, defecating, playing golf, taking nude photos etc., (see Razak, [2009](#)) causes deep disrespect at a place where their ancestors' spirits live on.
2. **Environmental** – increased numbers of climbers over the past 80 years have caused erosion to parts of the rock. In addition to this, there is no sewage disposal (or toilets) on the monolith, which means any waste is washed off during heavy rains.
3. **Safety** – at least 37 people have died while attempting to climb Uluru, and more have required medical attention for heart attacks, head injuries from falls, panic attacks or fainting. The last death was a Japanese tourist in 2018 (“Uluru: Japanese tourist, 76, dies climbing the rock,” [2018](#)). Cultural law requires the traditional owners to take responsibility to look after any visitors to their country. Hence each time a visitor is seriously or even fatally injured at Uluru, the local Anangu people share in the grieving process.

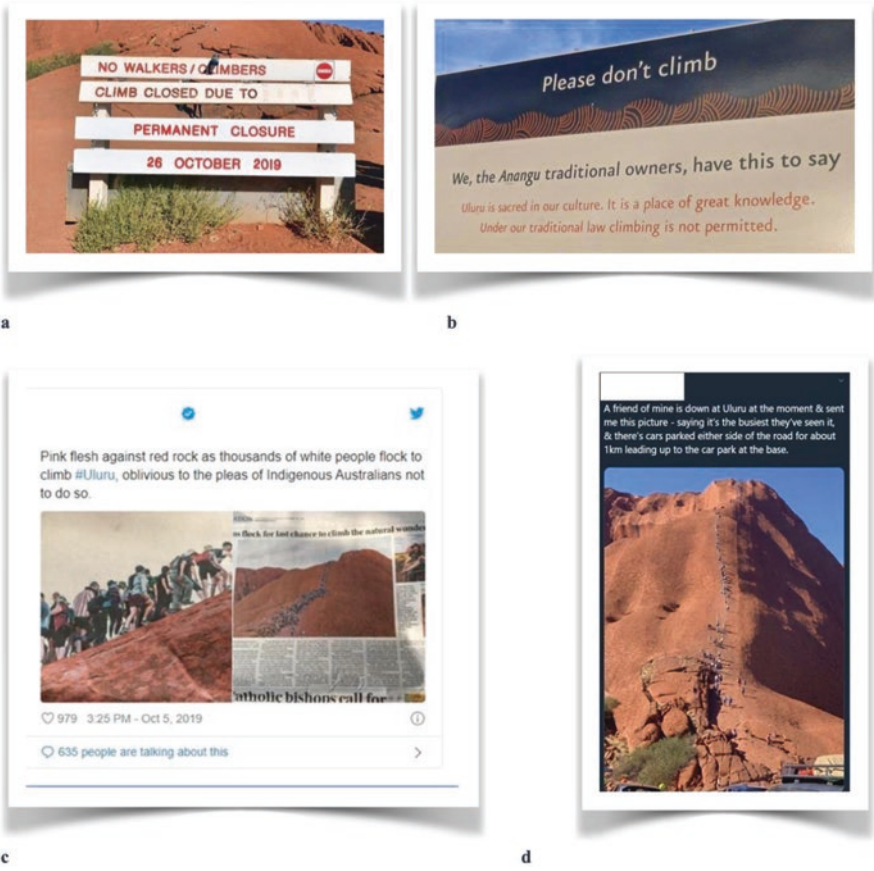


Fig. 22.1 (a) Climb Closure signage at the bottom of Uluru, online image, viewed 25th July 2020. Source <https://www.mercurynews.com/2019/10/25/uluru-permanently-closed-to-climbers/>, (b) Original signage asking visitors not to climb, online image, viewed 25th July 2020. Source <https://www.sbs.com.au/nitv/article/2017/10/26/5-reasons-why-youshouldnt-climb-uluru>, (c) Example of social media post, commenting on the rush to climb Uluru prior to its permanent closure. Source www.twitter.com, (d) Social media post depicting the rush of climbers over the final weeks of the climb. Source www.twitter.com

The Closure of the Climb

The closure of Uluru to climbing has been in development since 2010 when the park’s management plan indicated it would work towards closure once fewer than 20% of visitors were attempting the climb. At the time of the announcement, numbers were as low as between 50 and 140 climbers per day (Butler, 2018).

Ironically, once the ban was announced, the amount of people climbing Uluru gradually increased, resulting in a rush to climb the ancient monolith during the final weeks and days. Parks Australia did not record the exact number of visitors during the final weeks, but Uluru-Kata Tjuta National Park manager, Mike Misso, said it was busiest they had been in more than a decade. “We know it’s certainly in the hundreds and probably nearer 1000 [a day]”. The final rush to climb the natural wonder was widely documented and shared via traditional and social media, depicting scrums of people fighting their way to the top (see Fig. 22.1c and d).

The decision to permanently close the site to climbers ignited a fierce debate surrounding the ownership of the rock, citizen rights, sustainability and even racism. Public concerns were raised about soon to be restricted access to a cultural treasure, whilst other parts of the (global) community hailed the closure a triumph for the local Anangu people and indeed other first nation’s representatives. Although the closure was well publicised in the lead-up, the final weeks and months of its operation saw a rush of visitors, scrambling to embrace their last chance to climb “the rock”. Labelled by some as a “symbolic act of white nationalism” or a “racist message of white superiority over Indigenous Australians” (Bolger & Baker, 2019); others made the point that the sheer number of tourists seeking to scale Uluru one last time was a clear indication that the climb should not be closed and any restrictions would negatively impact on Central and Northern Australian tourism. The next section provides an insight into the traditional and digital media narrative, including emerging themes, in the lead up to the permanent closure.

Uluru was closed for climbing on October 26th 2019, at the end of a two year notice period. Since then, Parks Australia states that “visitors are advised that climbing Uluru is a breach of the Environmental Protection and Biodiversity Act, and penalties will be issued to visitors attempting to do so” (Parks Australia, n.d.-a).

Methodology

This case study provides an insight into key arguments and the language used to support core positions in traditional, as well as digital media commentary. It uses a mixed-method approach, including the critical analysis of news coverage and online discussions between June 2019, when the imminent closure of the climb started to attract substantial media coverage, driven by a dramatic increase in tourist numbers, and January 2020, when the early impacts of the closure became apparent. Data was collected with the help of Salesforce’s Social Studio. Social Studio is a social media management platform, which supports social media monitoring and listening. Via searches for relevant hashtags such as #Uluru and #UluruClimb it enabled the creation of a topic specific dashboard that explores digital media results from more than 150 million sites and sources, including social media platforms and online news sites (Salesforce, n.d.). Even though this software has provided an insight into trends, the aim of this study was not to provide a systematic analysis of online activity based on quantitative insights, but rather an exploration of key themes and

dominant narratives in the media coverage and online conversations in the lead up to the closure of the Uluru climb. Hence, the Social Studio data were complemented by manual news searches and consequently explored with the aid of the qualitative data analysis computer software package NVivo 12, drawing on framing theory (Entman, 1993). *Framing* involves the selection of “some aspects of a perceived reality and make[ing] them more salient in a communications text” (Entman, 1993, p. 52). Frames intentionally highlight a specific perspective on an issue while simultaneously downplaying alternative or opposing views (Entman, 1993). Frames perform an important role in influencing public opinion and individual behaviour. Hence, they can guide and inform policy making.

Findings

Closure of Uluru to Climbing: A Conflict of Perspectives

The month leading up to the closure of Uluru to climbing saw the greatest number of commentary on social media. Immediately following the closure, commentary remained steady, but greatly reduced in volume. The Social Studio based data analysis provides further insights into mentions of #Uluru during the key discussion period from 1 October to 7 November 2019, capturing a total of 93,000 posts, including images, video, news items, blogs and comments.

The majority of posts (93.6%) were from Twitter, not surprising given its political use; followed by forums and YouTube commentary leading after this with only 1.8% of the posts each. Facebook was the fourth most popular platform, but yet only had 0.9% posts specifically using the #Uluru hashtag. It is worth to note that social listening software can only access public posts. Many more private conversations would have most likely taken place on Facebook and possibly Instagram that could not be captured for privacy and data protection reasons.

A word cloud of the most popular terms across this period (see Fig. 22.2) does not appear overly negative or critical and highlights key issues surrounding the closure. The most negative term used in this period is arguably ‘apartheid’.



Fig. 22.2 Wordcloud from Social Studio on #Uluru 1 October – 7 November 2019

Key sentiment across this period was rated 57.7% positive; however, it is worth noting that social listening software like Social Studio is unable to detect sarcasm, so the actual sentiment could have been more negative. The largest volume of negative sentiment, not surprisingly occurred on Friday, October 25th – the weekend before the closure took effect, attracting 7897 posts. Posts highlighted as negative in Social Studio used terms like ‘banned’ and discussed access to the site, apartheid and entry prices. On the final day, celebrations of the closure of the climb far outweighed the negative sentiment. Despite the fact that the data search did not filter results based on language, the majority of social media posts were written in English. These originated from countries including Australia, the United States, the United Kingdom, Canada, New Zealand and India, in descending order. Interestingly, the countries from which Uluru draws the biggest number of tourists, Japan and Germany (Parks Australia, [n.d.-b](#)), did not rate significantly in the posts, which raises questions about target audiences and key messaging. The key ‘influencers’ leading the debate and news on the closure were indeed traditional news sites including ABC News, Al Jazeera, BBC News, CNN, Reuters and Sky News, who on the one hand were reporting on social media discussions and outrage surrounding the number of climbers and the imminent closure, but on the other hand were referenced again via social media debate, illustrating the increasingly common cyclical nature between social media debate and reporting.

International media were sympathetic to the Aboriginal perspective with the New York Times writing an in depth analysis of the history of the rock and the traditional owners (Tarabay, [2019](#)). The article focussed on the marginalisation of indigenous Australians and claimed that most Australians supported the Anangu’s rights. It highlights the challenges associated with *bucket list tourism*, sharing the story of one Australian family who drove more than 2700 km (1700 miles) to climb the rock and said they would immediately leave the area if that was no longer possible. The BBC reported on the reasons behind the closure, as well as the anger of the Anangu people at the final rush to climb the ancient monolith (Mao, [2019](#)). The British broadcaster furthermore aired a special titled, *Reclaiming the Rock*, which focussed on the controversial practice of climbing. The Irish Times ran a title ‘*Respect is given*’: *Australia closes climb on sacred Uluru* (Readfearn & Allam, [2019](#)) (also in The Australian edition of The Guardian) and Al Jazeera’s ran the article “‘*Not a theme park*’: *Tourists rush to beat Uluru climbing ban*” ([2019](#)).

Australian media, arguably not surprisingly, was more mixed in its reporting on the closure. Media coverage that highlighted the controversy, led by The Guardian, ABC News, The Canberra Times, The Mercury News and SBS, was mostly respectful. The following headlines give insight into the news reporting; indeed, the controversy seemed mostly social media commentary, as opposed to traditional media led:

- Uluru climbing ban: Tourists scale sacred rock for final time (BBC News, [2019](#))
- A Climbing Ban at Uluru Ends a Chapter. But There’s More to This Australian Story (Tarabay, [2019](#))
- ‘Shooting yourself in the foot’: Tourists question Uluru climb ban (Roberts, [2019](#))

- Uluru climb closed permanently as hundreds scale sacred site on final day (Heaney & Jonscher, 2019)
- Uluru climb's final hour before permanent closure (Vivian & Jonscher 2019)
- Outrage as visitors crowd Uluru in final weeks before long-awaited climb ban (Bolger & Baker, 2019)
- The last climb up Australia's majestic Uluru (Patrick, 2019)

Social media commentary, as well as comments in response to news articles, sparked the most controversy. Comments on the rush to climb included “this is what white privilege looks like in Australia” (Brown, 2019) and “The lengthy queue of people waiting for one last crack at violating indigenous rights before the white government finally puts an end to it is pretty depressing” (Brown, 2019). Media comments often noted the positioning of tourist sites as attractions, quoting traditional owner Sammy Wilson’s comment that stating Uluru was ‘not Disneyland’ (see e.g. Marchese, 2019). These comments highlight the difference between manufactured tourist attractions and cultural tourist sites, emphasising that the latter should not be seen as ‘something to be conquered’, and perhaps, need to be treated differently.

Ownership of place in sustainable tourism was an issue highlighted by the public and political response. One Nation party leader Pauline Hansen likened the closure to ‘closing down Bondi Beach’, referring to the monolith as a public site that should be accessible to all Australians. This position has also highlighted the economic benefit of the rock to Indigenous communities, and in particular Australian tourism (“Pauline Hanson compares stopping Uluru climbers to ‘closing down Bondi Beach’” 2019).

Since 1985 Uluru-KataTjuta National Park has been managed jointly between traditional people (Anangu people) and Parks Australia. From a sustainability perspective, the closure has been highlighted as an opportunity for the Anangu people to take ownership of their land and empower them to deliver tourism in a way that is sustainable to Uluru but also their culture (Whitford & Becken, 2017). However, if the Uluru case study is used as an example, bucketlist tourism is almost at odds with true sustainable tourism. As Cheer (2019) points out in his SBS article:

If joint management aimed to deliver improved economic and social outcomes for Anangu residents, it has proven to be a spectacular failure. Today, Yulara [a purposebuilt resort town, 20 kilometres from Uluru] and Mutitjulu [the local community at the base of Uluru and home to the Anangu], stand in stark contrast. Yulara is filled with cashed-up, bucket-list travellers from all over the world, while Mutitjulu is an outpost of lingering disadvantage where overcrowding, underemployment, poverty, high rates of suicide and preventable diseases remain pervasive problems.

In the growing Indigenous tourism economy, cultural sustainability becomes the driving force, with economic and employment following. Issues have been raised about the lack of education and training for indigenous groups to truly take ownership of the site (Cheer, 2019). Sustainable tourism extends beyond the tourist site itself and should be viewed holistic with longevity for generations to benefit. On the flip side, studies have pointed to the fact that although indigenous tourism

offerings may be growing, particularly in Australia, participation in indigenous tourism is in decline (Ruhanen et al., 2015a).

On October 26th 2019 Uluru, the famous red-rock in the centre of Australia was closed permanently to tourists wishing to climb the monolith. Contrary to expectations, and consequently attracting widespread criticism, Australia's Prime Minister at the time, Scott Morrison, did not attend the official celebrations (Allam & Bowers, 2019). Following the closure, media and online narrative shifted towards celebrating the closure as a 'coup' for Indigenous Australians. However, a counter narrative, raising concerns about the resulting economic impact prevailed. Examples of media headlines included:

- Celebrations at Uluru after climbers permanently banned (AFP, 2019)
- How the world has reacted to the Uluru climbing ban (Brown, 2019)
- Tourism takes tumble after Uluru climbing ban (Allen, 2020)
- The Uluru climb ban is in effect, but new tourism opportunities could empower traditional owners (Cheer, 2019)

Framing the Closure

Based on framing theory, three key frames emerged as a result of the qualitative data analysis. The *economic* perspective – or frame – on the closure of the Uluru climb very much focusses on the importance of the site – and in particular the climb - as a tourism destination, which was evidenced by the last minute rush of visitors. Through an economic lens, the closure is expected to impact on tourism numbers and income, leading to job losses, and effectively not only impacting on local providers but the Australian economy per se. Moreover, by removing one of Australia's key attractions a ripple effect may lead to Australia's attractiveness as an international tourism destination being negatively impacted, leading to broader implications, losses and effectively a weakened industry. This perspective is indirectly supported by an *entitlement frame*, through which Uluru is positioned as a national, public treasure, which should be accessible and free to enjoy for all Australians, as opposed to a select few (traditional owners). Climbing the rock has been a family tradition for many, and the interests of a small group of people should not come at the exclusion of others.

This narrative is being counteracted by an *inclusive sustainability frame*, which emphasises the need to show respect for the sacred site and Australian Aboriginal culture. Here, the focus is not on immediate gratification, but on the preservation of the ancient rock formation for future generations. *Inclusive* refers to the empowerment of the local community and operators, as opposed to the focus on job and revenue generation in general, which frequently limits benefits to major resorts and tourism providers. This inclusive perspective furthermore shifts the focus away

from a single site that attracts the risk of overcrowding (i.e. climbing the rock) to distributed tourism opportunities throughout the region (camel rides, canyon tours, hiking, Segway tours, sunset dinners, birdwatching, etc.). Sustainable tourism is not just a marketing responsibility, attracting a growing focus internationally, as it is a core part of the United Nations (UN) Sustainable Development Goals. Tourism can be linked to many of the 17 goals, as they are interconnected; however, the goals of partnerships and reduced inequalities fit best with the decision to close Uluru (United Nations, 2017). The (UN) believes tourism can develop and promote sustainable opportunities that advance “economic, social, environmental and cultural sustainable development” (United Nations, 2017). The 2019 UN World Tourism Day focus aligned with its Sustainable Development Goals, specifically to celebrate the skills, education and jobs created through tourism worldwide (World Tourism Organization (UNWTO)). The United Nations World Tourism Organization (UNWTO) is focussed on balancing the needs of development in tourism to drive countries forward, with employment being a “driver of equality and sustainable development” (World Tourism Organization (UNWTO)). Uluru is an example that illustrates the UN sustainable goals in this area, and although yet to be seen, could become a blueprint for how to establish sustainable tourism after significant changes to accessibility.

The Aftermath

Media coverage three months after the closure reported major financial impacts with some hotel and resort prices being reduced by up to 40% (Allen 2020). It is unclear if this immediate decrease in numbers is a result of the increased demand in 2019, or indeed if other environmental factors (e.g. hottest time of the year, worldwide coverage of large scale wildfires across Australia) may have influenced demand. The full (economic) impact of the closure will only become apparent over the coming years. Parks Australia has been adamant that the closure will not have a dramatic effect on tourism numbers across the region. However, others are far less optimistic, predicting a long-term decline in tourism income. Notably, the last minute rush to climb Uluru “one last time” was largely driven by domestic tourists. In the intermediate term, Australia’s entire tourism sector has ground to a hold, due to travel and border restrictions imposed as a result of the global Covid-19 pandemic. Only time will tell what the future holds for Australia’s famous red monolith. In the meantime indigenous leaders have initiated campaigns that promote other ways to enjoy Uluru and its surroundings, without climbing the rock, (O’Rourke, 2019; We Are Explorers, n.d.; Welcome to Country, 2017) including tips on how to take the perfect selfie, which can be re-activated once Australia’s Red Centre re-opens first to domestic and eventually international tourists.

Discussion

This inductive study develops an understanding of the public narrative surrounding sustainable tourism changes. Using the case study of Uluru and the climbing ban, this case provides an insight into the voices of various stakeholder groups involved in the climbing ban debate. The aim is to inform future communication efforts around sustainable tourism and how to use language when there is a shift from an economic to a sustainable tourism model, promoting the United Nations' goal (16) to “promote a peaceful and inclusive society” (UNESCO, 2019).

As sustainable tourism becomes a focus for more locations around the world (see Machu Picchu, the Louvre, Mount Everest, Cambodia, The Galapagos Islands etc.), changes in how people traverse these places are inevitable. For communication professionals in tourism, communication campaigns and language surrounding closures, and/or changes in visitation policies, are becoming more important. Uluru is one such case study that highlights both the positive and negative arguments surrounding its closure. While climbing is no longer allowed, the Uluru-Kata Tjuta National Park's Board of Management believes that the site still has plenty to offer and should be considered a unique tourist destination. Uluru is considered one of Australia's most significant cultural destinations, a fact recognised by UNESCO in 1994 when it received World Heritage listing for its cultural landscape, having already been inscribed for its natural values back in 1987 (Parks Australia, [n.d.-a](#)).

Behaviour Change in a 'Bucket List' Tourism Environment

This case study highlights the role of iconic tourist locations in a nation's identity. Uluru is the iconic rock that many international tourists equate with Australia. The rise of social media has meant it also offers the perfect Instagram photo – and is hence on the ‘bucket list’ for many tourists. Thurnell-Read (2017) claim the increasing popularity of the bucket list rose out of the 2007 motion picture *The Bucket List*. Uluru itself has featured in many movies, and the popularity of the novel *Crazy Rich Asians* and consequent movie cannot be dismissed for its role in the popularity of the rock. Just as a nation's identity can be defined by a single image or tourist site, bucket lists can also be a form of how tourists display their identity (Thurnell-Read, 2017).

Conclusion

The Uluru case study points to several issues arising from sustainable tourism and changes in how tourists behave around major tourist destinations. The decision to close Uluru to climbing may become a pivotal case study in sustainable tourism.

The closure of Uluru may have set a precedence for other sites of cultural significance considering changes to tourist access. Elders of the Jinibara people have been fighting the Queensland government for more than 20 years to stop people climbing Mount Coonowrin and Mount Beerwah in the Glass House Mountains (Butson, 2019). At present the Queensland Government does not seem to be engaging with the possibility of closure, having recently allocated more than \$3 million (AUD) for park upgrades. Despite this, Uluru highlights the beginning of changes occurring across the world and may lead the way for other countries to restrict access to a sacred site and those under threat from over tourism.

The closure has divided the nation as illustrated social media debate and commentary, and this highlights the challenges when moving to more sustainable tourism models. Communicating sustainability and indeed, tourism changes, is filled with nuance and differing opinions. While case studies are important to evaluate outcomes, none can fully identify the exact method to communicate. Cultural beliefs and long-held notions of national identity are tied up in the language and sentiment and must be addressed on a 'case by case' approach for each situation.

The Uluru case study highlights that there is a need for local businesses, and national tourism bodies to lead the way with sustainability initiatives and show other ways in which tourists can enjoy Uluru. The case study raises questions around the word sustainability and the need to continually expand the definition beyond financial, economic and employment gains. The Uluru case highlights the role of tourism in national identity and how this understanding may change over time to reflect shifts in practices and approaches to sustainable tourism.

Additional Material

Teaching Note

Case Summary

The Uluru case study points to several issues arising from sustainable tourism and changes in how tourists behave around major tourist destinations. The decision to close Uluru to climbing may become a pivotal case study in sustainable tourism. As first nations people take greater ownership of their land, it is unlikely Uluru will be an exception, rather, it may lead the way as to how location based tourism can be both culturally sensitive, sustainable and still promote a desire for people to visit the area.

Teaching and Learning Objectives

The teaching objectives of this case study are to:

1. ***Learn about the role social media, and the media has to play in public sentiment and opinion surrounding the closure of national tourism sites***

Social media has played a significant role in increasing tourism numbers in many places across the world, so much so that some locations are straining under the ‘tourism selfie’ and social media pilgrimage effects.

2. ***Describe the key issues facing first nations’ people and sustainability within the context of the United Nations Sustainable Development Goals***

The United Nations’ Sustainable Development Goals have been adopted by all UN Member states. There are 17 Sustainable Goals “which are an urgent call for action by all countries – developed and developing – in a global partnership” (United Nations, n.d.).

3. ***Understand how sustainability policy is changing the future of some tourism sites, and the need to plan for robust communication strategies to prevent misinformation***

Uluru is a case study that highlights the beginning of larger issues tourism sites around the world will face. With climate change, firmly on the agenda, tourism sites will face increasing scrutiny from conservationists, governments, politicians, activists and academics.

Target Audience

This case study is suitable for second or third year undergraduate students undertaking a bachelor’s degree in the areas of communication, public relations, marketing, management, tourism and events. It is also suitable for postgraduate students with a discussion intended at this level to explore deeper issues.

Teaching Approach and Strategy

Depending on the curriculum, the teaching around this case study can be adapted as needed, and this case study is intended for multi-use, i.e. in a marketing, communication or tourism contexts.

Prior to the case study, varying levels of sustainability in tourism need to be taught. The minimum is an introduction to sustainability, key themes emerging across the globe and a crosscultural perspective. An exploratory lesson can have students research tourism sites around the world that are being impacted by

selfie-culture and bucket list tourism and what the corresponding country is doing to ensure a more sustainable approach. On a deeper level, trends and economic, financial and cultural elements of sustainability in tourism can be discussed. Students should also have an understanding of the role communication has to play in sustainable tourism, with a particular focus on the impact of social media.

Specific activities to develop an understanding of different perspectives may be as follows:

- Prepare a media announcement for the closure of (chosen local landmark) from (a) local indigenous groups (b) government (c) governing body
- Role play a media interview announcing the closure of [chosen local landmark]. Students should take on the roles of journalists and spokesperson for the government or landmark organisation. Students will need time to prepare key messages and approach
- A class debate can be held with the key themes of sustainability versus economic and employment viability - Which perspective is more important when it comes to tourism?

Further questions to use in class, or for assessment, may include:

1. Is a ban the right solution? Should we have to go this far? Could education address cultural and sustainability issues more effectively?
2. Should local community interests overrule national economic interest? Where should governments draw the line?
3. How could Uluru attract visitors now the climb has been closed? Is there a way to provide other sustainable tourism options?
4. What is the effect of the closure of Uluru on the climbing or accessing of other sites in Australia and around the world? How can tourism balance economic needs (e.g. local employment) and culture /sustainability?
5. Discuss challenges /obstacles to developing the indigenous tourism industry

Example Responses

There are no single correct answers to the questions above, however, at its core, the closure of Uluru to climbing is a behaviour change campaign, although it was never articulated as such, which hence led to some of the negative sentiment. Rather than celebrate the multiple ways in which Uluru can be enjoyed, critics focused on the loss of access to an icon and the perception that this can only be achieved through literally mounting it. A secondary focus was on the economic loss, as a result of the closure. This campaign is not dissimilar to campaigns that have occurred all around the world in a bid to get tourists to change their behaviour in regard to well renowned cultural and heritage sites to ensure they will remain accessible for generations to come.

Suggested Group Activity

As Communication Manager for Parks Australia, the Board has asked you for a communication strategy to reinvigorate interest in Uluru and ensure tourism remains viable. Prepare a 12 months plan aimed at communicating reasons to visit Uluru now that the rock is closed to climbing. You should target your messages to the key tourist segments mentioned in the case study. The following headings should be a guide:

1. Research – strengths, weaknesses, opportunities, threats and/or political, economic, social, technological, legal and environmental. Consider presenting this in a visual format.
2. Objectives – identify three key objectives your plan would aim to meet. Ensure they are focussed on sustainability and communication. Make them SMART – specific, measurable, achievable, realistic and timely.
3. Target audience – you may choose 3–4 different segments, profile these and identify a ‘typical demographic’.
4. Key messages – keep these short and focussed. One to two key messages per target audience
5. Strategy – outline your key communication campaign and how you’ll reach each audience.

Present your strategy in groups, using no more than 5 PowerPoint slides and taking no longer than ten minutes.

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Chapter 23

Decision-Making in Times of Crisis: Bringing Back Binna Burra Postbushfire



Debbie Cotterell, Sarah Gardiner, Margarida Abreu Novais,
Natasha Montesalvo, and Ross Westoby

Abstract On the 8th September 2019, a bushfire destroyed most of the heritage-listed buildings at Binna Burra Lodge, adjacent to Lamington National Park in Queensland, Australia. This case study explores the prevention, preparedness, response, and recovery from this event. This case study was prepared by researchers from the Griffith Institute for Tourism at Griffith University and the EarthCheck Research Institute. It is informed by interviews with key stakeholders in the immediate aftermath of the event, as well as documents and media that captured this event. Given the extent of the disaster, the expertise of key stakeholders involved and the proactive response from government and the local community, this case study provides thought-provoking teaching and learning activities to prompt critical thinking amongst future tourism industry workers. Moreover, this case study supports more informed disaster preparedness and planning for tourism industry workers when responding to similar events in the future.

Keywords Binna Burra Lodge · Queensland disaster management · Crisis management · Bushfire recovery · Tourism resilience · Destination management

Introduction

One of the greatest challenges for tourism operators and destination managers is major disasters (Ritchie & Jiang, 2019). As the world experiences a rise in global average temperatures and greater rainfall variability, the occurrence and severity of climatic disasters, such as bushfires, will magnify. This case study captures the

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events immediately prior to, during and following the bushfire on the 8th of September 2019. This fire destroyed most of the heritage-listed buildings at Binna Burra Lodge located in the south-east region of Queensland, Australia. The analysis is based on ten interviews with employees and the board of directors of the lodge, government and other key stakeholders in the three months after the event. This case study provides an understanding of the actions and decisions made by these parties to prepare for, respond to and recover from this event. It highlights the dilemma of decision-making in times of crisis. Specifically, it questions the optimal time to make decisions, for example, when should guests be evacuated, and when should public relations commence to make people aware of the crisis and rally support for the recovery and rebuild. This case study highlights that tourism operators often need to make critical, well-timed decisions to respond to the crisis event. The learnings generated from this case study seek to inform future tourism operator disaster preparedness and planning in responding to similar events.

Background

Binna Burra Lodge is a major nature-based tourism attraction in South East Queensland, Australia. Located close to two major tourism cities, it is approximately one hour from the Gold Coast and 1.5 hours from Brisbane by road. These cities have a combined population of 1.8 million residents (Queensland Treasury, 2018) and attracted 12 million domestic and 2.5 million international overnight visitors in 2018/19 (Tourism and Events Queensland 2019a; 2019b). The location of this tourism operation is central to its appeal as it is situated on free-hold land within the Lamington National Park, which is part of the UNESCO World Heritage Listed Gondwana Rainforests of Australia. The area contains the world's most extensive sub-tropical rainforest and nearly all the world's Antarctic beech cool temperature rainforest. Binna Burra is known as a popular venue offering hiking trails, bird watching and adventure activities, such as a flying fox, abseiling and rock climbing, as well as a lodge and camping area to accommodate overnight stays (as shown in Fig. 23.1). This area particularly appeals to international nature-based visitors as well as day-trippers from the surrounding area. Educational school camps and weddings were also key customer markets. Prior to the fire, the lodge and campsite accommodated 25,000–30,000 overnight guests per annum.

Binna Burra Lodge was founded in 1933 by Arthur Groom and Romeo Lahey (Binna Burra Lodge, 2020b). It is one of the first nature-based tourism businesses in Queensland and is an advanced eco-tourism certified tourism business. The site included original heritage listed timber buildings, the Rainforest Campsite, and the Lamington Teahouse. Additional tourist accommodation, the Sky Lodges, were opened in 2012. Binna Burra is a for-profit company, governed by a board of directors. The Chairperson of the board is Steve Noakes, who was a key figure in the disaster response. The lodge operations were being run by an Interim Managing Director as the General Manager had resigned a few weeks prior to the bushfire

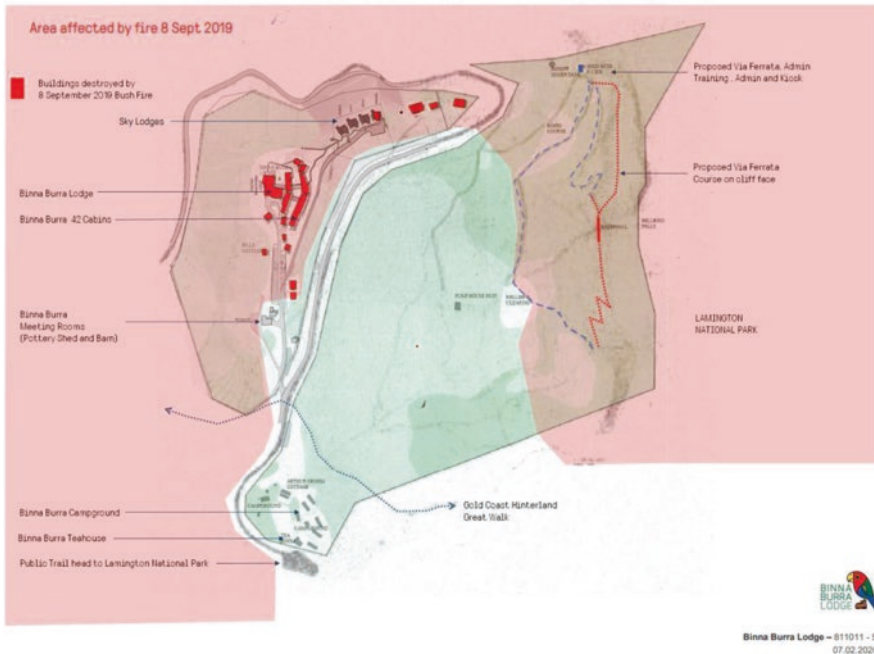


Fig. 23.1 Map of Binna Burra Lodge as of February (2020)

event. This bushfire event was unprecedented as the lodge had not come under such a serious fire threat in its 86-year history.

Methodology

This case study is informed by ten in-depth interviews with key stakeholders in the immediate aftermath of the event, as well as documents and media that captured this event. Key stakeholders included seven members of the remaining core Binna Burra management team at Binna Burra, including the Chairperson, Interim Managing Director, and heads of department. Other key stakeholders included long-term resident and volunteer firefighter, two government officials and a local destination management organisation. Interviews took place in the three months after the event and participants were asked to discuss their recollection of events before, during and after the event. Participants also shared their impressions on the coordination of key stakeholders, the role of the media, government and destination management organisations as well as their vision for the future. This case study also draws on key corporate documents, social media stories and regular committee meetings that were held with key stakeholders to Binna Burra. Regular communication with the

key spokesperson for Binna Burra has also informed and ensured accuracy of this case study.

Phases for Disaster Management: Prevention, Preparedness, Response and Recovery

Operating in an increasingly volatile, uncertain, complex and ambiguous world, the Queensland tourism industry is no stranger to crisis, disaster or resilience. With over 50 disaster events since 2011, it is now not a case of *if an event will happen*, but rather *when it will happen*. Queensland's crisis response is guided by the Queensland Disaster Management Act (2003), Queensland Disaster Management 2016 Strategic Policy Statement, Queensland State Disaster Management Plan and Queensland Recovery Plan. Queensland takes an all-hazards approach to disaster and aims to build resilience and rapidly respond to new circumstances. Queensland's strategic response to disaster response and recovery is led by the Queensland Reconstruction Authority (QRA).

The vision of the QRA is to make Queensland the most disaster resilient state in Australia and work towards the goal by managing and coordinating the Queensland Government's program of infrastructure renewal and recovery within disaster-affected communities. Queensland's approach is that resilience is a shared responsibility, and response and recovery depends on the collective effort of stakeholders. Each stakeholder has a clear role to play in reducing risk exposure, vulnerability and building resilience:

State Government: coordinating disaster management arrangements; providing strategic direction and reliable risk information; and raising awareness around risk reduction measures.

Local Government: leading local disaster management arrangement through Local Disaster Management Groups; building community capability to manage risk; enhancing community resilience; and reducing hazards.

Businesses: understanding exposure to disaster risk; preparing continuity plans; reducing risk and considering prevention as business as usual; and contributing to recovery.

Communities and individuals: building connectedness, trust and cooperation; understanding exposure to risk; and planning and preparing for hazards.

The QRA provides an overarching framework to empower Queenslanders to become more resilient by anticipating risks and vulnerabilities, responding swiftly through strengthened networks and adapting to changing circumstances. The Queensland Recovery Plan adopts a bias towards recovery and resilience with a focus on community-led approaches. The recovery plan suggests that this bias can enhance social cohesion, empower communities to build their own solutions – reducing reliance on government support – and deliver sustainable recovery

outcomes. This is achieved through Prevention, Preparedness, Response and Recovery (as shown in Fig. 23.2):

Prevention – understanding and managing the likelihood of risk and developing flexible plans to prepare for risks. Learning from previous crisis to strengthen preparedness to reduce recovery time. Research indicates for every dollar spent on disaster mitigation, \$6 are saved in recovery efforts (National Institute of Building Science, 2018).

Preparedness – planning for risks that are most likely to disrupt business. Being prepared includes auditing plans, allocating roles and responsibilities, briefing staff, understanding psychological needs, developing response plans and effective databases, having a go-kit ready and developing and testing protocol. A critical aspect to preparedness is knowing and understanding insurance policies and customer cancellation policies (including online booking agents), having media protocol, and appointing and establishing roles for a crisis response team.

Response – is the short and medium-term reaction to a crisis. The action taken within the first 24-hours is paramount. The response should activate established plans and communication trees that guide how information is communicated

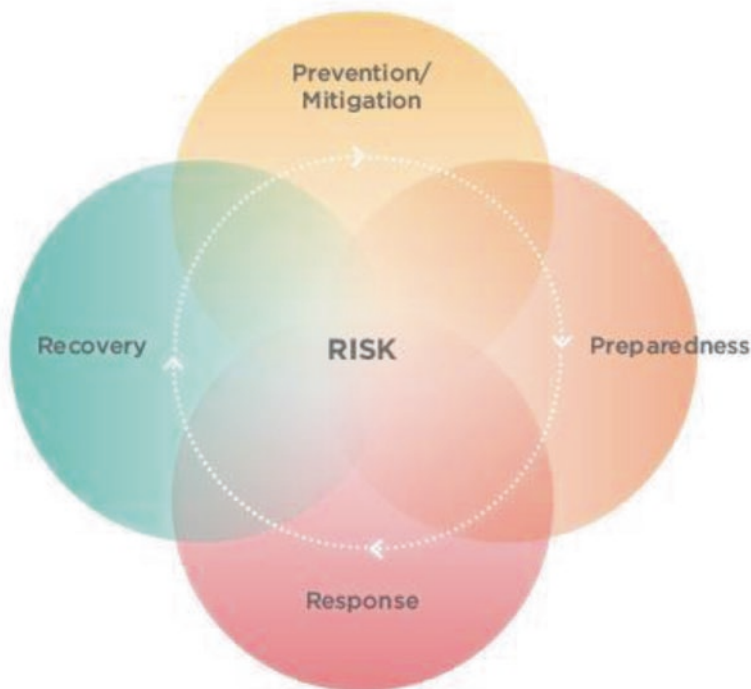


Fig. 23.2 Disaster management guideline phases (the State of Queensland (Queensland Fire and Emergency Services), 2017)

from one person to another. In the medium term, the business needs to manage future bookings, communicate with customers and other visitors, and keep key stakeholders informed with consistent messaging. In addition, considerations regarding the management of cash flow in immediate response to event as well as in the future to fund the recovery, marketing activities and messages to account for the disaster event are also vital.

Recovery – the set of actions required to get back to business. Key considerations include managing cash flow, staff and marketing activities, crisis support management and psychological support for staff and volunteers affected by the event.

The Binna Burra event is investigated according to these four phases outlined in the Queensland Government’s Prevention, Preparedness, Response and Recovery (PPRR) Disaster Management Guideline. As the State of Queensland (Queensland Fire and Emergency Services, 2017) explains:

The four phases of PPRR are not linear, nor are they independent of the others. They overlap and support each other... For example, recovery activities are likely to begin during the response phase, and mitigation strategies may be considered during the recovery phase.

Findings

Figure 23.3 overviews the Binna Burra events on a timeline. Drawing from the phases in the Queensland Disaster Management Guideline, the following sections outline Binna Burra’s approach.

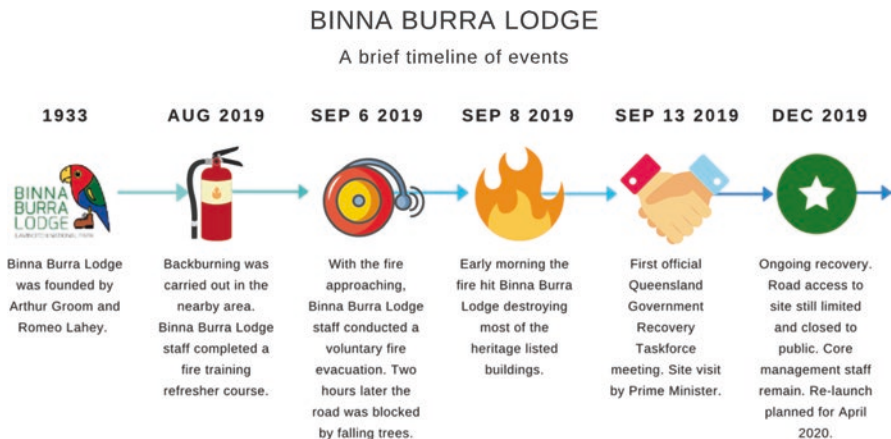


Fig. 23.3 Timeline of the Binna Burra event (Griffith Institute for Tourism, 2019)

Prevention

Before the bushfire, Binna Burra Lodge had several prevention strategies in place. These included a disaster management plan and a bushfire prevention plan as recommended in the State of Queensland's (Queensland Fire and Emergency Services, 2017) disaster management guideline. A risk assessment was conducted, assessing the likelihood and impact of potential natural and human-made disasters. They were also part of a local community group that regularly discussed certain council-led disaster prevention strategies.

Preparedness

Since Binna Burra was located adjacent to a National Park, a bushfire event was a crucial part of their disaster preparedness management plan. A 'cool burn' (an Aboriginal technique used for controlled burning) was conducted one-month prior, which helped to reduce the impact of the fire on the surrounding national park areas approximately three kilometres away from the lodge. At the time of the bushfire, all the operator's disaster management policies and procedures were up to date. Regular emergency drills were conducted, and three senior managers had recently completed a refresher training course in a fire safety program. Given these preparations, Binna Burra felt they were ready for a fire event should it occur.

Response (to the Event)

On Friday 6th September 2019, Binna Burra Lodge was expecting 100% occupancy with approximately 275 guests to be checked-in by that night. It was one of the busiest weekends that year. The morning started fairly normally, although staff were aware of a bushfire that had begun in the valley at Sarabah several days earlier. By mid-morning, the wind was picking up, and smoke was billowing across the hill, creating poor visibility. Organisers of a forest-based running event that weekend discovered some of the running tracks were affected by the fire, and so made the heartfelt decision to cancel their event.

By lunchtime, the fire status was upgraded to 'act and alert' so the staff started pre-evacuation procedures. Guests were advised to pack their bags and be ready to leave, if necessary. The reception provided regular updates to guests at the reception, and senior management controlled the messaging. On the day of the event, the Sarabah fire was reported as travelling at four kilometres per 10 minutes due to the severe weather conditions, winds and very low humidity (approximately 8%), making it almost impossible to control. A resident described the fire as fireballs leap-frogging across valleys.

By approximately 4 pm on Friday 6th September, the fire authority, the Queensland Fire and Emergency Service, changed the fire status to ‘emergency warning’. Senior Binna Burra Lodge staff made the decision to conduct a voluntary evacuation of the lodge. Deciding to evacuate the hotel is a complex decision-making process based on analysing risk perception together with business implications. This decision was later one of the most poignant decisions. Unfortunately, half of the staff working on that day had already left as many of them lived in the local area and had their own homes at high risk due to the fire. Seven staff remained and, fortunately, this included managers who were very knowledgeable about fire evacuation. Staff effectively followed their emergency plan. The following key evacuation actions occurred: fire alarm and roof sprinklers activation; all doors were chalk-marked to ensure all rooms within the building were vacated; all doors and windows were locked; gas was switched off; and cash was secured. Staff were positioned at strategic locations to ensure all guests were safely evacuated, and no new visitors could enter the site.

The lodge only has one access road in and out, and potential closure made the decision to evacuate crucial. Approximately two hours after evacuation, the road was blocked due to falling trees in the fire meaning that if staff had waited longer to evacuate the only way out would have been by helicopter. On Saturday 7th September, Steve Noakes became the sole media and stakeholder communications spokesperson for the events impacting on Binna Burra Lodge. As Chairperson of the Binna Burra board and a 40-year veteran of the tourism industry, he had experience in media relations, connection with the local community and a long association with the lodge.

On Saturday 7th September and in the early hours of Sunday morning, a total of eleven local houses in Beechmont were severely destroyed by the bushfire which advanced into the Lamington National Park and eventually up to Binna Burra Lodge. Sadly, the fire destroyed most of the heritage listed buildings which housed the reception, original lodge accommodation and dining room, leaving only the Rainforest Campsite, the Lamington Teahouse and three quarters of the newer self-contained Sky Lodges intact. Figure 23.4 shows some of the contrasting images of Binna Burra before and after the bushfire.

Recovery (from the Event)

The helicopter vision from the media coverage at approximately 7 am on Sunday was the first opportunity Binna Burra Lodge management and staff could see the extent of the damage from the fire. Binna Burra Lodge’s first Facebook post showing aerial views received 980,000 reactions, over 5000 comments and 3500 shares. Chairperson, Steve Noakes continued as the spokesperson for all media relations to ensure consistency and accuracy of messaging. A senior manager at Binna Burra, explained the importance of ensuring you have one media spokesperson to deliver consistent messaging during and after a crisis is essential:



Fig. 23.4 Before and after the bushfire images (Binna Burra Lodge, 2020)

The media is not forgiving. Although they may appear to be your friend, and before the interview starts, they will be compassionate and cry with you, once the tape rolls and it's just a straightforward media story for them. . . . So, appoint one person, make sure they're articulate, make sure they're well-briefed. In our case we had all three in one person: articulate, well-briefed, senior executive. So that was vitally important.

Binna Burra engaged in very proactive messaging during and following the event. Their website, social media sites and direct emails to shareholders were the key channels of communication used to convey critical information to future guests and stakeholders.

By Sunday afternoon (the day of the fire), the Honourable Cameron Dick, Minister for State Development, Manufacturing, Infrastructure and Planning in Queensland offered to set-up a Queensland Recovery Taskforce specifically aimed at helping them to recover from the event, with a critical focus on infrastructure recovery. With key representatives of the local scenic Rim Regional Council (SRRC) and different Departments of the State Government, the Minister and the SRRC Mayor, Greg Christensen, made a visit to the inaugural post-fire strategic planning meeting conducted by Binna Burra on Wednesday 11th September. Greenpeace campaigners were also in the area seeking to film the devastation at Binna Burra in relation to research they were undertaking on climate change issues. Approval was given to Greenpeace to take a six-person film crew onto the damaged site by helicopter early on Friday morning, 11th September 2019.

The first official meeting of the Queensland Government supported Task Force for the recovery of Binna Burra was held on Friday, 13th September 2019, five days after the fire. The first meeting focused on restoring crucial infrastructure, such as water, securing the site and telecommunications. Redeployment of approximately 60 Binna Burra Lodge staff was also prioritised. Before that meeting commencing, Binna Burra received advice that the Prime Minister of Australia, the Federal Minister for Emergency Services and a contingent of federal and state politicians,

as well as media and military escorts, would be visiting Binna Burra. Juggling the first State Government supported Task Force meeting, the Greenpeace activists on site with their controversial live media feeds and the entourage associated with the helicopter visit by the Prime Minister’s group made the situation challenging.

With all company computers, phones and hard-copy files destroyed in the bush-fire, there was also the priority to consider the needs of immediate customers. Binna Burra Lodge had over 4000 individual forward bookings for leisure guests as well as group, weddings and conferences bookings. Organising refunds, and in the case of group bookings, such as weddings (which were prioritised) and conferences, assisting customers in finding alternative venues was a key task over the days and weeks following the event. Bookings made through third party distribution channels, such as online accommodation booking platforms who sell Binna Burra, was particularly challenging. Despite informing these distributors to stop all sales of rooms, rooms were still being sold a week later. Online travel sellers (distributors) often have contracts to many other online channels, and so there can be delays in the time it takes to reach all distribution channels. Managing the financial issues associated with cancellations also proved difficult due to limits on cash flow from the bank. Not having direct communication with the consumers who booked through these channels was also problematic.

Binna Burra Lodge created a recovery framework that outlined the internal reconstruction council, which runs parallel to the Queensland Government Recovery Taskforce and with guidance from the National Institute for Disaster Resilience (Fig. 23.5).

Following the event, Binna Burra Lodge acted quickly to convert their website into a ‘Bring Back Binna Burra’ messaging with information and updates on the recovery efforts and trading through an online shop with supporter merchandise for

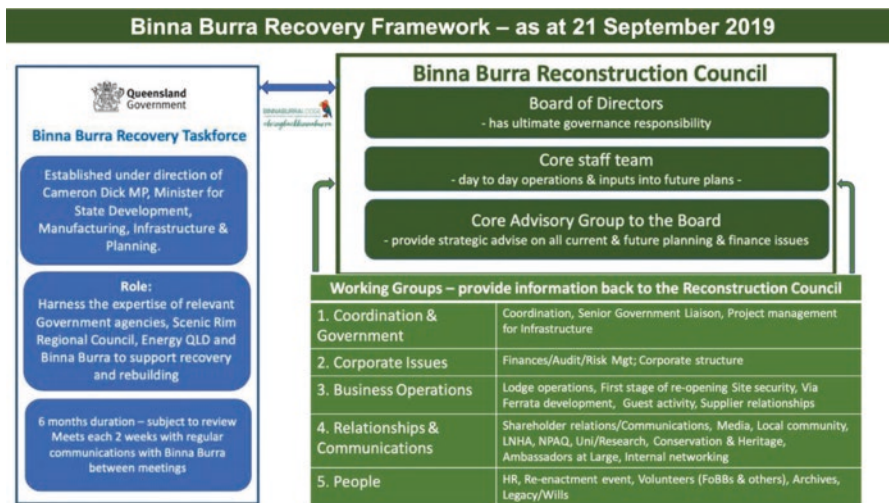


Fig. 23.5 Binna Burra Disaster recovery framework (Binna Burra Lodge, 2019, p 3)

sale. A Go-Fund-Me page on the online donation website was also established, so that the general public could donate to Binna Burra's recovery efforts. It has raised over AU\$110,000.

Unfortunately, since the only access road was severely damaged in the fire and had to be rebuilt, Binna Burra Lodge and the adjacent national park would be closed to visitors for an extended period of nine months or more following the fire. The lodge would also need to be rebuilt which would take even longer. Accordingly, immediately following the fire, Binna Burra had to terminate the employment of almost 60 staff. A core management team of six managers and ground and maintenance staff were retained from approximately 60 employees who worked at Binna Burra prior to the fire event. Binna Burra Lodge held a meeting informing staff of the situation. Within 10 days of the bushfire, a 'staff transition' event was organised where 155 jobs or training opportunities were on offer to staff. Counselling services and financial advice was offered including Red Cross, Lifeline and professional counsellors. Human resource (HR) management activities were well-communicated and proactive in helping the staff find alternative employment or pathways. They did this by using emails, social media, private textmessaging and staff meetings, to ensure that no staff missed out in accessing these services. Assistance was provided in updating resumes and writing cover letters, which for some longterm staff was something they had not done in some time. Fortunately, all staff were able to find alternative jobs or commenced training opportunities.

The publicity generated through mainstream media and social media brought national and international attention to the Binna Burra Lodge fire event. The story was reported on radio and in major newspapers around Australia as well as internationally, including the New York Times and media in Asia, the Middle East, Europe and New Zealand. The connection between bushfires and climate change also heightened public concern. Stakeholders felt that the emotional connection to Binna Burra Lodge boosted public interest in the aftermath of this event. Key political figures including the Australian Prime Minister, the Australian Governor-General, the Queensland Premier, the local Scenic Rim Regional Council Mayor, and federal and state government elected representatives visited the site. Greenpeace also drew attention to a connection between the 'climate emergency' and bushfires. Coincidentally, as previously noted, this was the same day that the Australian Prime Minister visited the site. Stakeholders reported that this presented an initial awkwardness given the position of Greenpeace who highlighted the direct link between climate change and the severe bushfire situation, which the Australian Government initially denied (Remeikis, 2019). The Australian Prime Minister later issued a statement accepting the direct link between climate change and the extended bushfire season in Australia.

As an initial response to the bushfire in the tourism region of Scenic Rim, the state tourism marketing agency (Tourism and Events Queensland) worked with the local tourism marketing agency (Destination Gold Coast) to implement a marketing campaign to let people know the region was 'open for business'. The campaign included paid social media advertising to boost the number of people who see the posts, and dedicated hinterland marketing activity.

Binna Burra Lodge, and the surrounding Lamington National Park, were key drawcards to visitors of this part of the tourist region known as the ‘Scenic Rim’. Nine months after the fire, the road to these attractions via Binna Burra remained closed. Many local small businesses that rely on through traffic suffered from the lack of visitors to the area impacting local businesses and community. Destination marketing efforts to encourage visitors to return to this region continue to be critical.

Future Vision for Binna Burra Lodge – “Reset. Reimagine. Recreate”

In the aftermath of the fire, Binna Burra Lodge needed to change fear and devastation into a new narrative (Fig. 23.6) and its future must be reimagined and recreated. As stated in an interview with a local resident:

This is a reset going forward. Hopefully. . . creating new ways of doing business. . . Think outside the box, because you know, whatever you did before, has now changed – it’s a reset. Think of what resources you have, think of unique things. . . So you know, new stories, new ways, new life. Focus on what’s coming back.

Binna Burra Lodge’s plans to have the Rainforest Campsite, the Lamington Teahouse and Sky Lodges intend to reopen in the second half of 2020. There are plans underway for a new government-funded cliff-side climbing track to be built known as a ‘Via Ferrata’ (see Fig. 23.2). The original timber lodge site will also be cleared, and a master plan completed with stakeholder consultation. Suggestions include an interpretative, educational site, preservation of the damaged historical site or an observatory. In January 2020, Binna Burra began trading as *Binna Burra*

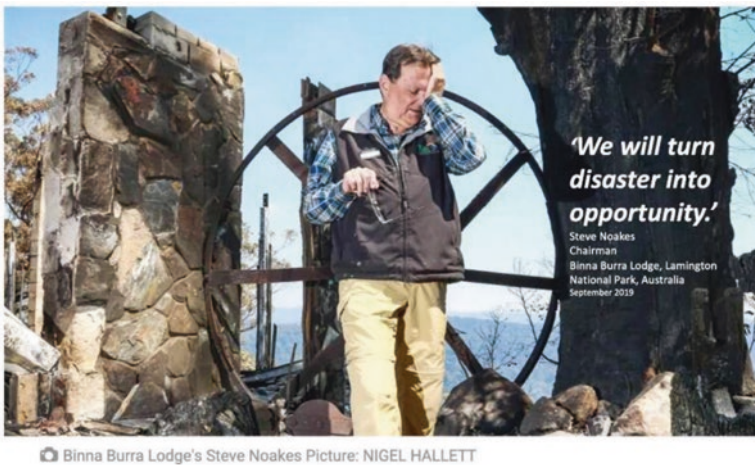


Fig. 23.6 Chairman viewing the remains of the heritage-listed buildings at Binna Burra Lodge (2020a)

Kitchen at an old school site in the nearby town of Beechmont. Remaining core staff have been selling food and drinks to create some income for the business.

Discussion

Binna Burra Lodge managers faced critical dilemmas in responding to the disaster and postdisaster recovery. Dilemmas around staffing and effective communication were evident, as well as the difficulty in building back in the recovery and reimagining phase. Each of these dilemmas is explored below.

Staffing One of the major challenges at the time of the bushfire event was having the right people available to make the right decisions. At the time of the event, some of the key senior management team were off-site or on leave, so their specialist knowledge gained through mock exercises and training (preparedness) was not available to inform the response. In addition, due to the resignation of the General Manager just weeks earlier, added to the challenge. Staff, therefore, had to work outside their usual roles during the response to this crisis. This boundaryspanning work often called for innovative solutions to problems during the crisis and in-the-moment decision-making. For example, the Human Resource (HR) Manager who was typically responsible for managing staff appointments, training and well-being, became a critical part of the evacuation process, faced with the dilemma of whether to execute a voluntary evacuation.

During the recovery phase, the Human Resource Manager, helped coordinate the ‘staff transition’ day and provided ongoing practical and emotional employee support, as well as responding to media enquiries, helping clear up the site and performing operational duties. Whilst this provided an opportunity to demonstrate leadership and offered a self-development experience, it was extremely stressful and challenging for those staff. In the long-term, if Binna Burra can retain this core team, they will not only be even more experienced than before but carry vital tacit knowledge going forward, that is the knowledge that you get from personal experience or being associated with the business, the local area or the tourism industry.

Communication Consistent communication messaging was vital during, immediately after right through the recovery phase. Having a single spokesperson was critical to a consistent and unifying message as well as retaining the marketing and social media managers as part of the core recovery team. Binna Burra continues to regularly post updates via social media and email, as well as through various media outlets and presentations at industry events to keep the brand active in the minds of consumers.

Bring Back Binna Burra After the disaster occurred a critical factor that affected the ability to reopen, has been a closure of the one and only access road to Binna Burra. Rebuilding this road became a key critical priority for recovery efforts. Other critical dilemmas faced by the business was, under business uncertainty; and how to

generate alternative forms of income until the road re-opens. By January 2020, Binna Burra was temporarily trading out of the Headmaster's Café in Lower Beechmont, as a way for them to continue trading and providing jobs, as well as maintain connections with the local community (Binna Burra Lodge, 2020c). Decisions about what to build in place of the destroyed Binna Burra Lodge was a critical topic of discussion, particularly given that building insurance was limited due to it being bushfire related. Future issues of obtaining affordable insurance, and with the added uncertainty of the economy and the tourism industry added to the dilemma. The advantage an educational site that houses the history of Binna Burra Lodge and the surrounding natural environment is that it could be a more financially viable option, attracting visitation to the area and other services. Other suggestions have been to build an observatory on the site to enhance astronomy experiences. Upgrading the existing campgrounds was seen as a more viable short-term solution to re-open for business.

At the time of writing, Binna Burra is facing a second wave of challenges to overcome in the form of the global health risk COVID-19 which forced all Queensland tourism businesses to close temporarily between March and June 2020. The current uncertainty surrounding state and international border closures pose additional uncertainties about the future of Binna Burra.

Discussion Questions and Activities

Learning Activity 1: Analysing the Stages of Disaster Management

After reading this case study, you should now be familiar with the four stages of disaster management: Prevention/Mitigation, Preparedness, Response and Recovery. For each of the four stages, answer the following questions:

1. What were the key factors for success at each stage of disaster management process?
2. What were the key issues/challenges?
3. What recommendations do you suggest?

Learning Activity 2: Stakeholder Management During the Recovery Phase of a Disaster

To further understand the complexity of stakeholder management, take the viewpoint of a stakeholder group to view the problem. Options include staff, shareholders, customers (past, displaced and future customers who held bookings), local community members, and Destination Management Organisations.

1. What are the key priorities related to the stakeholder group to be addressed in the aftermath of the bushfire?

2. What specific solutions would you recommend to respond to the stakeholders' needs during the recovery stage?

Conclusion

This case study highlights critical considerations for other tourism and hospitality businesses in the prevention, preparedness, response and recovery to disasters which can have a flow-on effect to how well the business can recover from a disaster. There are several lessons from the Binna Burra experience for other tourism and hospitality businesses. The importance of prevention and preparedness, having multiple trained fire wardens, particularly given varying shift patterns and high-risk and/or remote locations means that precise roles need to be defined prior to the emergency and during the event. Having multi-skilled, cross-trained staff that can deal with complex and variable situations, and transferable skills are particularly crucial during the recovery process. Having a go-kit that is easily accessible and contains information required to keep business trading, is important and often over-looked.

A clearly defined response is also critical, and pre-determining a single spokesperson to communicate and liaise with stakeholders and media, is vital. The ability to operate remotely and set-up temporary headquarters with portable technology infrastructure and cloud-based computing is important for business continuity. Pivoting your communications and website in response to the event and considering forward bookings and distribution channel partners is key. Managing cash flow in the event of a disaster to account for operations and staffing is also important, as is closely monitoring the relationships with creditors, banks and the constant issue of the solvency of the company. Relationship-building with key stakeholders and partners prior to the event such as destination marketing organisations, the media, emergency services and government.

Finally, the need for a resilient and multi-skilled core team with strong and effective leadership and tacit knowledge is vital. Understanding your staffing responsibilities and having a staff management plan in the event of a disaster with business disruption insurance is critical (including regular reviews of insurance policies with an experienced insurance broker at least once a year). Regular communication and updates/meetings together with creativity to drive innovative ideas and thinking outside of the box going forward has also been an essential part of Binna Burra's successful process of recovery to date, which at the time of writing, are finally taking bookings for 1 September 2020 – almost 1 year since the fire.

Teaching Note

Case Summary

On 8th September 2019, a bushfire destroyed most of the heritage-listed buildings at the Binna Burra Lodge, one of the first nature-based tourism businesses in Queensland, Australia. The tragic event had a significant impact not only on the business operations, but also on various direct and indirect stakeholders. This case examines the strategies that Binna Burra Lodge implemented in the different stages of disaster management, and discusses the organisation's efforts to liaise with the affected parties, highlighting the diverse needs and priorities at stake.

Two learning activities are presented. The overarching framework used is provided by the local authorities in order to empower businesses and residents to become more resilient by anticipating risks and vulnerabilities, responding swiftly through strengthened networks and adapting to changing circumstances. The recovery plan adopts a bias towards recovery and resilience with a focus on a community-led approach, achieved through Prevention, Preparedness, Response and Recovery (as shown in Fig. 23.2). Also see the Queensland Government (2020) Disaster Management Guidelines.

This case study provides thought-provoking teaching and learning activities to prompt critical thinking in disaster preparedness and planning amongst future industry workers.

Teaching and Learning Objectives

This learning activity aims to improve students' ability to analyse the complexities of disaster management in relation to the four phases of disaster management: prevention, preparedness, response and recovery.

Specifically, the learning objectives are to:

1. *Identify and analyse issues in each phase and offer realistic solutions for improved processes and procedures;*
2. *Analyse the roles and interests of the various stakeholders involved in a disaster/crisis;*
3. *Reflect and discuss the ethical dilemmas as well as business and marketing opportunities for disaster recovery.*

Target Audience

This learning activity is aimed at second or third-year university students studying tourism destination management or risk management courses.

Teaching Approach and Strategy

Two related learning activities are suggested. Both are designed as workshop activities and have an approximate duration of 60 minutes.

Learning Activity 1: Analysing the Stages of Disaster Management

This activity should also be preceded by a short presentation by the facilitator (instructor) to provide students with context about the case as well as the four stages of disaster management: Prevention/Mitigation, Preparedness, Response and Recovery.

The following is a suggested structure for the activity:

1. Introduction to the case and the framework for disaster management (10 minutes)
2. Students to be divided into small groups and instructions explained (5 minutes)
3. In small groups, students work together (20–30 minutes) to answer the following questions:
 - For each of the four stages of disaster management:
 1. What were the key factors for success?
 2. What were the key issues/challenges?
 3. What recommendations could be suggested?
4. Class discussion facilitated by the facilitator to analyse the different perspectives and solutions presented by each group (15 minutes)

Learning Activity 2: Stakeholder Management During the Recovery Phase of a Disaster

This activity should be preceded by a short presentation by the facilitator to provide students with context about the case as well as a brief discussion on the complexity of stakeholder management (see Binna Burra, 2019).

The following is a suggested structure for the activity:

1. Introduction to the case and the framework for disaster management (10 minutes)
2. Students to be divided into small groups and instructions to be explained (5 minutes). Each group is allocated one stakeholder group to view this problem.

Options include staff, shareholders, customers, local community members, and Destination Management Organisations.

3. In-group discussion (20–30 minutes): In small groups, students work together to answer the following questions from the perspective of their stakeholder group:
 - (a) What are the key priorities related to the stakeholder group to be addressed in the aftermath of the bushfire?
 - (b) What specific solutions would you recommend to respond to the stakeholders' needs during the recovery stage?
4. Class discussion led by the facilitator to analyse the different perspectives and solutions presented by each group (15 minutes)

Analysis – Sample Answers

Learning Activity 1: Analysing the Stages of Disaster Management

Suggested key points to be considered/included in-class discussion:

Prevention:

- Effective risk assessment: understanding the risks and associated likelihood and consequences
- Key risks include: bushfire, cash flow, reputation, staff management, visitor management

Preparedness:

- Up to date disaster management policy and procedures
- Regular emergency drills
- Senior management had attended a refresher training course in a fire safety program

Response:

- Evacuation procedures started as soon as the fire status changed to 'act and alert'
- Communication managed by senior management with regular updates
- Voluntary evacuation started when the fire status changed to 'emergency warning'

Recovery:

- Consistent communication and updates with key stakeholders
- Proactive messaging using various medium: social media, email, official website
- Selling merchandise to help recovery efforts
- Assistance to departing staff in job training and transitioning including 'staff transition' event.

Learning Activity 2: Stakeholder Management During Crises/Disasters

Suggested key points to be considered/included in-class discussion:

Staff:

- Assistance to departing staff in job training and transitioning
- The emotional wellbeing of past and remaining staff
- Maintain relations with the goal of bringing staff back for the reopening of the lodge

Shareholders:

- Communication around implications – timely and effective
- Opportunities for additional funding
- Rebuild – experience and image must be aligned to expectations

Customers: Past, Displaced and future customers who held bookings:

- Connect with all customers with the goal of retaining business for the re-opening
- Opportunity to rebuild experience and image

Beechmont/Lower Beechmont community:

- Communication around regional economic implications e.g. impact of lack of visitor spending in local businesses
- Maintain a positive image, reduce the negative and exaggerated messaging

Destination Management Organisations:

- Broader ‘open for business’ regional messaging
- Support of operators through training and marketing

Additional Discussion Questions

This book chapter also offers a number of additional discussion topics including ethical decision-making, marketing and climate change impacts.

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Chapter 24

Seasonality, Small-Scale Sustainable Events, and Local Professionals' Perceptions: The Case of AlmiraMAN Triathlon Event



Sofia Gkarane and Chris A. Vassiliadis

Abstract Various regions in Greece are currently facing tourism seasonality and local professionals need to take serious endeavors in order to survive, often without having the public support. Research has shown that several initiatives may contribute to the mitigation of tourism seasonality, for example, the organization of small-scale events. This seasonality mitigation role of events is investigated through a case study of AlmiraMAN, a triathlon sporting event organized annually in Paralia Katerinis, a coastal village in Greece. Semi-structured interviews were conducted in the region to thoroughly examine the local professionals' perceptual experience and to collect the data that would reflect their perceptions of events and seasonality. This case study sheds light on the phenomenon of tourism seasonality besides describing the benefits and the arising challenges as well as investigating how these events give economic, social, and environmental impact on the lives of the residents. The outcome of this study will enable university students to understand why Destination Management Organization managers need to identify the needs of the locals in order to facilitate the sustainable future and planning process of a small-scale event that aims to address to tourism seasonality.

Keywords Seasonality · Events · Sustainability · Local professionals · Perception analysis

Introduction

Small-scale events may be used as a tool to mitigate tourism seasonality, which enables local professionals (i.e. owners of local businesses that constitute the community economy) to enhance their financial and business stability. While case

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studies are likely to investigate the potential of such events and indicate the possible gains or risks for all parts involved such as the local residents and businesses, the present case study, on the other hand, will focus on the organization of a triathlon sporting event that is held every May in a coastal village in Greece. Besides providing some insight into the phenomenon of tourism seasonality, this case study will describe the benefits and challenges that may arise from such events and discuss their economic, social, and environmental impacts on the residents' lives.

University students, playing the role of Destination Management Organization (DMO) managers as tourism professionals who guide, coordinate, and organize all tourism stakeholders (Morrison, 2018) will be able to understand the locals' needs, particularly when there is insufficient communication between the latter and the organizers. Thus, as DMO managers of the region, they must know how to retain the planning process of a sustainable event relative to tourism seasonality in the village.

Some paradoxical emergence regarding the local professionals' reactions occurred because some of them were not aware of the event. As such, this leads to some questions concerning their perceptions of the planning and how such an event could contribute to the mitigation of tourism seasonality in the region. Nevertheless, the main challenge for the DMO managers remains: do events like AlmiraMAN suffice to expand the season or could something else be done from the local authorities' part?

Background: The Issue in Paralia Katerinis

Paralia Katerinis village, which is located under the imposing Olympus Mountain, i.e. the Mountain of Gods, is very close to Thessaloniki city. This village belongs to the Pieria province in central Macedonia with Katerini as the capital city, and it is one of the most popular tourist destinations in Greece.

The region of Paralia Katerinis village is close to the country's main road and railroad. This region is not only surrounded by ancient archaeological sites such as Dion and Platamon Castle that attracts thousands of tourists both from Greece and abroad, but it is also a highly developed area. As such, this place is awarded a blue flag every year, which denotes one of the world's most recognized eco-labels awarded to beaches (Blue Flag, n.d.). Additionally, it has also become an important touristic center with a variety of tourist infrastructure, including hotels, restaurants, taverns, cafes, beach bars, entertainment centers, and stores (Fig. 24.1).

Despite its privileged location and a variety of touristic facilities, Paralia Katerinis village remains characterized by severe tourism seasonality whereby it is mainly crowded with visitors and tourists between June and September, whereas most enterprises are closed over the rest of the year. Generally, season climate and tourism rates highly interact because the destination choice of tourists is greatly determined by the weather (Amelung et al., 2007). In fact, this tourism characteristic is common for the majority of Greek destinations.



Fig. 24.1 The region of Paralia Katerinis village & The region of the AlmiraMAN triathlon sports event; 11–12 May 2019

Source: https://www.almiraman.gr/english/almiraman_en.html. Accessed on 28-11-2019. Source: <https://web-greece.gr/destinations/katerini/>. Accessed 28 03 2020.

Due to high seasonality, Paralia Katerinis seems unable to turn into a 12-month tourist destination; however, it can prepare its own strategy through the exploitation of some potential that involves the use of its existing capacities to mitigate seasonality and attract more tourists.

The product of “sea, sand, and sun” is no longer competitive in Greece since other Balkan destinations offer similarly at a lower price (Chalkiti & Sigala, 2010). Hence, Katerini’s DMO managers had identified this issue and opted for several developing strategies for making Paralia Katerinis a more competitive destination

throughout the year. In the first instance, they have carefully analyzed the causes and responses to seasonality in their region and further decided several initiatives to counter seasonal concentration that include the following suggestions:

- Price reduction of hotels and other tourism enterprises during the low-season.
- Attracting senior citizens who usually have more flexible programs and can travel all year round.
- Adopting a common combating strategy and introducing small-scale events.

After analyzing the aforesaid suggestions, the stakeholders opted for the small-scale event strategy. To design their action plan, they started by identifying events that are prevalently organized within their community, such as sports (e.g. marathon, triathlon, and yoga) as well as cultural and business events.

For starters, the stakeholders chose AlmiraMAN, which is a triathlon small-scale sport event that yearly takes place in May since 2014 in Paralia Katerinis village. This event includes open sea swimming, cycling, and running activities. Besides, to attract more visitors, the event organizers usually prepare a seminar and a pasta party along with the awarding ceremony. The organization of the event is motivated by the love and passion of some people for sports. Such events, which are important for the local society, are often organized by people with limited marketing knowledge who, however, share the same enthusiasm for sports with a view of promoting their local community (Fotiadis et al., 2016). The following link provides more information for AlmiraMAN: <https://www.almiraman.gr>.

Through the process of interviewing the local professionals, the DMO stakeholders intended to gain some ideas regarding the perceptions of the former relevant smallscale events as well as the actions that could be undertaken to minimize the seasonal effects on the area. The findings revealed that they would either support the organization of similar events or invest in different actions.

Theoretical Background

The Seasonality Phenomenon

Seasonality is one of the most outstanding characteristics of tourism. As defined by Butler (2001:5), seasonality refers to “*A temporal imbalance in the phenomenon of tourism, which may be expressed in terms of dimensions of elements such as the number of visitors, the expenditure of visitors, traffic on highways, and other forms of transportation, employment, and admissions to attractions.*”

Seasonality is caused by the following categories of reasons: a) *natural*, which refers to the destination’s climate and includes variations in the weather conditions (e.g. hours of daylight and sunshine, temperature, wind, snow, and rainfall); b) *institutional*, which follows a traditional social schedule such as public, religious,

school, or industrial holidays; and c) *others*, which includes labor availability and trade shows (Baum & Hagen, 1999; Cannas, 2012; Rudihartmann, 1986).

Additionally, the seasonality issue presents an ongoing problem or difficulty with several impacts. For instance, the economic impact usually involves loss of profits and unemployment during the off-season, the socio-cultural impact may include either positive or negative resident-visitor relationships, while the environmental impact includes pollution during the peak season (Cannas, 2012). As such, tackling seasonality is a common target for destination marketing organizations, tourism companies, and the public sector (Sainaghi et al., 2019).

According to Baum and Hagen (1999), there are several initiatives for countering seasonal concentration. These initiatives include (a) events and festivals organization as the most frequent strategy, (b) market diversification that involves new demands for the existing products and facilities, (c) product diversification such as all-weather resorts, and (d) structural and environmental response.

Indeed, sport-related events can attract tourists and influence seasonal demands (Higham, 2005), thus influencing the economic, socio-cultural, and environmental nature of the host community (Priporas et al., 2018). However, an event strategy needs time to get established and has to be developed in conjunction with the relevant infrastructure in terms of access, accommodation, and attractions (Baum & Hagen, 1999).

Sustainability Dimensions

Sustainability encompasses three dimensions (Gibson et al., 2012) by which they go beyond the economic advantages and include social and environmental durable outcomes for the community (O'Brien & Chalip, 2007). In terms of events, according to Gibson et al. (2012), a small sport-event portfolio can generate a sustainable impact for host communities as follows:

- Positive economic opportunities (Higham, 1999) and economic benefits that exceed possible costs (Gibson et al., 2012) such as the rise in employment, income, and investment (Walo et al., 1996).
- Enrichment of the social lives of communities, such as energy and enthusiasm for hosts and attendees (Chalip, 2006) as well as growth in community spirit and cooperation that contributes to the quality of life (Walo et al., 1996) and
- More respect for the environment, given that such events are organized within the existing facilities and seem to have a lower carbon footprint (Gibson et al., 2012).

The Role of Destination Management

As eloquently stated by Morrison (2018), DMOs should not only dominate the marketing aspect but also strategically lead the destination development. Morrison (2018) further identified the seven roles of DMO which include (a) leadership and coordination management, (b) synergies (partnership and team building management), (c) community and stakeholder management, (d) planning and research, (e) visitor management, (f) product and service development and (g) marketing and promotion (communication).

Local Professionals' Challenges

Residents, as part of the local community, may have different perceptions in terms of how tourism development impacts their professional activities (Hanafiah et al., 2013); therefore, their opinions and perceptions should be measured and taken into consideration. The reason is that the visitors' satisfaction and future visits depend on the hospitality provided by the local community (Andriotis, 2005a). Besides, the residents' perceptions constitute an important reference point for the sustainable development of a tourism destination. According to Andriotis (2000), it is the *cooperation* of businesses, citizens, local authorities and governmental and nonagencies that will lead to balanced tourism development. Additionally, Bastakis et al. (2004) had also stated that small and medium-sized tourism accommodation enterprises "usually shoulder the distinctive function of offering a local character to the increasingly homogenized tourism packages".

Meanwhile, Higham (1999) noted positive consequences of the local/regional sports for host communities, e.g. economic benefits, a wider experience of the destination product, and a positive impact on the locals involved. The expected benefits of the engaged parties are also important to stimulate the local residents and professionals' effort to participate, provided that the benefits from participating and supporting the local tourism development will outweigh the costs (e.g. money and time) and their relevant effort (Jurowski et al., 1997; Wang & Pfister, 2008).

Nevertheless, family businesses face several challenges due to seasonality that may result in dire financial and personal straits. Getz and Nilsson (2004) researched the businesses' responses to seasonality including how they react to the phenomenon and they revealed three strategies: "coping", "combating", and "capitulating" seasonality. While the "coping" strategy involves accepting severe seasonality and making actions to cope with its consequences, "combating" aims to prevail over seasonality or at least attempt to expand the season through actions such as business expansion. Finally, "capitulating" refers to abandoning or terminating businesses for several reasons such as personal preferences or non-viability of the business.

Accordingly, Paralia Katerinis' DMO managers have incorporated these strategies in the current seasonality study as presented in the following section.

Examining the Case of AlmiraMAN Triathlon Sporting Events

Challenges Faced by DMO Managers

To obtain new insights into the perceptions of the local professionals regarding the impact of a small-scale event on tourism seasonality, the DMO managers of Paralia Katerinis have engaged with a university to perform an exploratory study, addressing the following interests:

- To assess the sports event's effectiveness towards mitigating seasonality.
- To evaluate the professionals' opinions and willingness to support the event and perform similar actions.

The university has decided to conduct semi-structured research interviews as one of the most effective methods for collecting data (Rowley, 2012). An interview guide (Table 24.1) was created by including the following key terms: *seasonality*, *sustainability*, *events*, *small-scale events*, and *local community* based on the relevant academic tourism literature (Andriotis, 2005b; Baum & Hagen, 1999; Getz & Nilsson, 2004; Jolliffe & Farnsworth, 2003; Koenig-Lewis & Bischoff, 2010). The guide covers a range of topics: the general business information section (ownership type, business nature, and the number of years of business ownership); seasonality (seasonality degree, seasonality effect, reaction, possible support from authorities, reaction, and strategies); sustainability (questions on the economic, socio-cultural, and environmental impacts of the event); and the events section (the relationship between the organization of the event with seasonality mitigation and personal opinions). The guide comprises two levels of questions: the central questions relative to the main subject and the follow-up questions that provide clarification and precise information.

Research Development

The researchers compiled a list of local enterprises and approached those that were active during the days of the event (11–12th May 2019). Although the event has been organized since 2014, some respondents, whose enterprises are not near the coast but in the village, were not aware of the event; hence, they were excluded from the survey. The research group conducted the semi-structured face-to-face interviews with 24 local professionals who had responded positively to the research. Each interview was recorded by note-taking and lasted about 25–45 min. The primary data, as presented in the next section, were delivered to the DMO managers.

Table 24.1 Key points of discussion in the interview guide

Topic	Question	Answer categories
A Seasonality	1. Does your destination confront seasonality? To what degree?	Yes; no Degree 0 = not at all; 1 = minimum; 2 = minor; 3 = so and so; 4 = large; 5 = very large [comment: Fill in reply]
	2. What are the main effects of seasonality on	...your business? ...your region?
	3. When is the high, medium, and low seasons for your business?	...High: From...Until... ...Medium: From... until... ...Low: From...until...
	4. How do you manage the demand changes (fluctuations)?	[Fill in reply]
	5. Do tourists or visitors come to the destination during the low season?	...Yes, because... ...No, because...
	For what reason do they come? In the case of a positive answer, are they local or international visitors?	[Fill in reply]
	6. How does your enterprise respond to seasonality?	...I cope and close the business during the low season of the year. ...I combat and make several actions like [...] to survive ...I capitulate. I decided to sell, shrink, and terminate the business because [...]
	7. Do the local authorities support you?	[Fill in reply]
	What do you think that the local authorities should do to help your business?	[Fill in reply]
B Sustainability	1. How does tourism seasonality affect the	
	Economic,	...Regarding the economic sector [...]
	Socio-cultural, and	...Regarding the socio-cultural sector [...]
	Environmental sectors of the Paralia Katerini area?	...Regarding the environmental sector [...]
	2. How does the AlmiraMAN event affect the	
	Economic,	[Fill in reply]
Socio-cultural, and		
Environmental sectors of the Paralia Katerini area?		

(continued)

Table 24.1 (continued)

Topic	Question	Answer categories
C Events	1. Do you believe that small-scale events such as AlmiraMAN contribute to seasonality mitigation?	... Yes, because... ...No, because...
	2. Is the existent area infrastructure (access, accommodation, and attractions) enough for developing a remarkable event strategy in your area?	... Yes, because... ...No, because...
	3. Do you believe that event organization like AlmiraMAN can contribute to tourism development in the area?	[Fill in reply]
	4. Do you take part in AlmiraMAN?	[Fill in reply]
	5. Are you proud of the event?	[Fill in reply]
	6. Apart from events, what other measures/initiatives would you suggest for mitigating tourism seasonality on product and service demands in the Paralia Katerinis area?	[Fill in reply]

Results

A. Seasonality

The quantitative results are presented in Table 24.2. The majority of the entrepreneurs (82.6%) perceived that the destination confronts “large” or “very large” tourism seasonality. However, it is worth noting that none of them mentioned a slight problem or no seasonality problem at all. As stated by one hotel owner,

We are under Mount Olympus, the home of Zeus and the Greek Gods, and we do not take advantage of welcoming tourists all year round. Tourists from farther countries like Japan and China visit our area and most of the enterprises are closed because of seasonality. This situation must change.

The vast majority of the off-season tourists are international (see Table 24.2: A5 below).

The respondents perceived that both of their businesses and the region are influenced by the positive and negative impacts of seasonality (Fig. 24.2). In terms of seasonality impact on the destination, it was indicated that the latter benefits from the massive influx of tourists during summer when their business profits increase.

Additionally, to indicate the extent to which their businesses are influenced, the respondents assumed seasonality as the key factor influencing the decreased demand and performance of their business activities, which resulted in negative consequences such as reduced employment and low-quality tourist attractions besides the low-season. Seasonality, alongside the limited winter facilities, also leads to the non-functioning or under-functioning of their enterprises, which, in turn, creates a feeling of desolation in the area. A tourist shop owner made the following complaint:

The village survives only because of summer tourism. There is work only during the summer thanks to tourists. Visitors keep coming during winter because of Olympus but there is nothing to do in our village and almost everything is closed.

Table 24.2 Quantitative analysis of the research data (total number of respondents = 24)

Topic	Question	Answer categories	
A Seasonality	1. Does your destination confront seasonality?	Yes:	100%
		No:	0%
	2. To what degree?	Degree	0%
		0 = not at all:	8.7%
		1 = minimum:	8.7%
		2 = minor:	47.8%
		3 = so and so:	34.8%
	4 = large:		
	5 = very large:		
	3. & 4. Are answered in text		
	5. Do tourists or visitors come to the destination during the low season?	Yes:	79.2%
		No:	20.8%
	Local or international?	Both:	21.1%
		International:	78.9%
	6. How does your enterprise respond to seasonality?	Cope:	70.8%
		Combat:	29.2%
		Capitulate:	0%
	7. Do the local authorities support you?	No, not at all:	87.5%
		Yes:	12.5%
C Events	1. Do you believe that small-scale events such as AlmiraMAN contribute to seasonality mitigation?	Yes:	62.5%
		No:	37.5%
	2. Is the existent area infrastructure enough for developing a remarkable event strategy in your area?	Yes:	58.3%
		No:	41.7%
	3. Do you believe that event organization like AlmiraMAN can contribute to tourism development in the area?	Yes:	83.3%
	No:	16.6%	
	4. Do you take part in AlmiraMAN?	No:	95.8%
	5. Are you proud of the event?	Yes:	100%

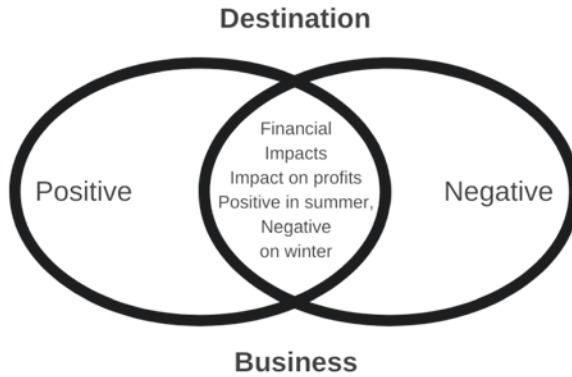
Figure 24.3 illustrates the number of professionals relative to their perceptions of the high, medium, and low seasonality. Out of 24 professionals, 12 of them reported that July and August (first column) are the peak season where their business activity performance is the highest. Briefly, all respondents perceived the period between June and September as the high season in Paralia Katerinis. Subsequently, the medium season for their business activities is between March and July and between September and October (second column) with scattered responses for April and May. Meanwhile, the low season begins in October and ends in March (third column), with January and February denoting the lowest season according to the majority of the respondents.

To manage fluctuation demands (Table 24.1, A4), the majority of the respondents (70.83%) mentioned that they would take whatever actions possible to survive. Most of them would also utilize internet marketing or decrease their prices. As indicated by one hotel owner,

We do everything we can to please the customers. We want them to come again so we are willing to offer our best services, even if it means that we will have to satisfy every requirement they may have.

Positive effects
 Visitors in the area
 Profit increase
 Benefits for the whole area

The work decreases along with the decreased visits
 There is no work during winter; businesses are closed
 There is no infrastructure during winter
 A few enterprises are open during winter



Positive effects
 Increase in profits
 Hire employees
 More clients

Negative effects
 No work; no profit during winter
 Business is closed during winter

Fig. 24.2 Perceptions of Paralia Katerinis' professionals regarding seasonality impact on their business activities and the destination

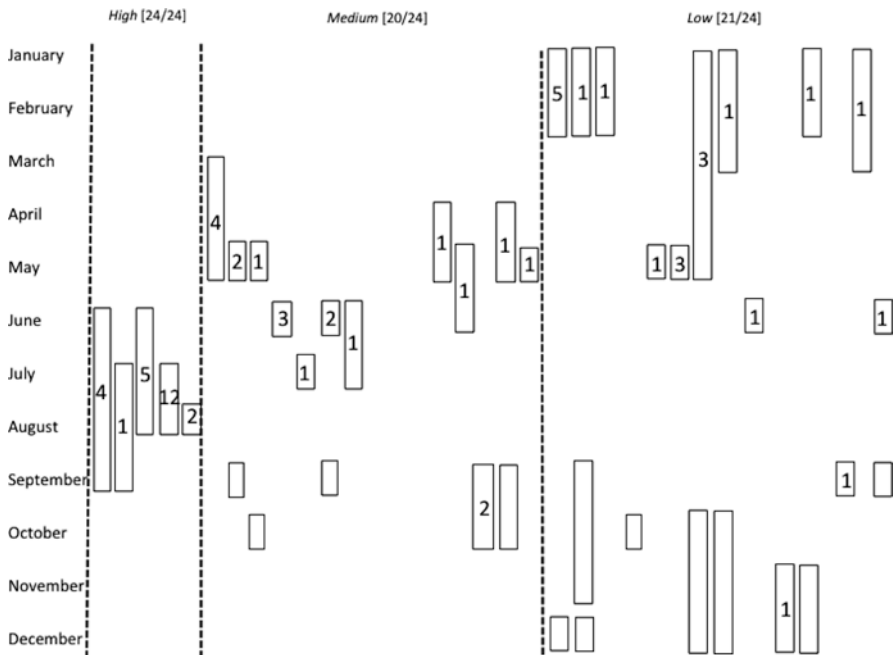


Fig. 24.3 The number of professionals relative to their perceptions of the high, medium, and low seasonality

Table 24.3 The professionals' suggestions for actions to be taken by local authorities to mitigate tourism seasonality in Paralia Katerinis

	Suggested action	Action category	Number of respondents
1	<i>Cleanliness and area regeneration</i>	Aesthetics and hygiene	6
2	<i>Facilities creation, e.g. beach projects</i>	Ability to execute reconstruction	4
3	<i>Tax reduction</i>	Tax facility	3
4	<i>Lot to do</i>	Indefinite requirement	3
5	<i>Suitable tourist attractions Destination marketing 3 (lucrative tourists, winter ability tourism advertising, better presence abroad)</i>		
6	<i>Nothing</i>	Inertia	1
7	<i>Personnel finance</i>	Human resource	1
Incentive actions			
8	<i>Local stay in the village</i>	Urbanization	1
9	<i>Non-political expediencies in the area</i>	Cooperative spirit	1
10	<i>Correct handling of the projects</i>	Professionalism	1

Regarding the respondents' responses to seasonality (Table 24.2, A6), most of them (70.8%) would cope and close their businesses during winter. Some would also choose to combat seasonality; however, none of them has intended to sell or terminate their businesses.

Meanwhile, support from the local authorities (Table 24.2, A7) is deemed non-existent (87.5%) and the respondents suggested some actions to be taken, such as the cleanliness and the aesthetic amelioration of the village including tax reduction. They also suggested that the local authorities prioritize an efficient destination marketing strategy. Table 24.3 presents the responses to the question in Table 24.1, C6.

B. Sustainability

With regard to the *economic* impact of seasonality on Paralia Katerinis, 23 out of 24 professionals stated that they are facing significant losses in their turnover. However, in terms of seasonality impact on the *socio-cultural* sector, 70% of the respondents are positively affected within their community during the high season, which includes a better quality of life in terms of socializing and mind-broadening aspects, diversity, knowledge expansion, and personal life opportunities. For example, some locals reported that they had married the Balkans who visited Paralia Katerinis in the summer. Nonetheless, the *environmental* sector is slightly affected during summer, but with manageable traffic congestion and pollution (Table 24.1, B1-B2).

As for the *economic* effect of AlmiraMAN on the respondents' businesses, 17% of the respondents deem the event beneficial because the event's visitors and athletes would purchase products or services in the area. Furthermore, two respondents who work in the catering industry mentioned that they would hire temporary staff in

light of the event. 45% of the respondents also reported that their *social* life is affected positively as a result of AlmiraMAN, whereas none has reported any negative *environmental* consequence (disasters or vandalism) apart from slight traffic along the waterfront.

C. Events and Seasonality

Despite a 37.5% disagreement from the respondents, the majority of the respondents (62.5%, n = 15, Table 24.2, C1) recognize the positive contribution of AlmiraMAN to the overall effort in mitigating the negative seasonality effects on local businesses owing to the village promotion even in the low season (Fig. 24.4). Additionally, it was noted that none of the respondents contributes to the event either as a sponsor or a stakeholder that provides services to the event organization; however, it is noteworthy to address that 95.8% of the respondents are proud of the event and they also believe that the visitors are satisfied with the services provided within the area.

Concerning the professionals' perceptions regarding the impact of small-scale event organization on tourism development in the area, 83.3% of the respondents positively believe that the promotion and advertising of the area can positively influence several sectors as well as attracting more international tourists. Besides, it appears that some of the local professionals are also willing to get involved with the event organization based on the following responses:

We would like to contribute to the event but no one has made a proposal to us, even to become sponsors.

There is no cooperation between the event organizers and the hotel owners.

More events should be organized during the shoulder season. We do not want events in July and

August but mainly before or after these months.

Do you believe that a small-scale event such as AlmiraMAN contribute to seasonality mitigation?

Yes, because:

- More people visit the village
- More people are attracted owing to the smooth event organization
- The event is promoted and, therefore, the area is also promoted
- The village becomes more popular
- There is tourism during the medium season
- The event is a positive initiative since the village is advertised
- Even one tourist in the hotel is better than none at all

No, because:

- It is indifferent for the locals
- It does not offer something important

Fig. 24.4 The professionals' perceptions regarding the impact of AlmiraMAN organization on seasonality mitigation

We would like to cooperate with the organizers and work together on the preparation. For example, we could prepare a special menu for the event participants based on the directions of the organizers. This could be an extra motive for the athletes to come.

Finally, their general recommendations for tourism seasonality mitigation (Table 24.124.2, C6) in the area include the following activities:

1. Cleanliness (cleaning of the sea and coast)
2. Infrastructure improvement (museums with local exhibits and better lighting)
3. Service improvement (trading facilities, e.g. more banks, more social businessmen, and illegal parking control)
4. Better product offers (price reduction and qualitative products)
5. More events and activities (music events, sea sports events, sailing competitions, and organization of similar sports events)
6. Employment opportunities (subsidized staff)
7. Cooperation among locals (establishing alliances and avoiding competition)
8. Financial investment in the area
9. Several marketing strategies to attract and retain visitors (better organization, promotion abroad, participation in international exhibitions, more events in the village and not only in the city centre, qualitative tourism, and development of winter and religious tourism).

Issues to Be Addressed by DMO Managers

Several issues need to be considered in order to mitigate tourism seasonality in Paralia Katerinis. As one of the DMO managers, it is crucial to decide how to proceed with a sustainable event organization process relative to tourism seasonality in the village and provide some recommendations regarding the following issues:

Seasonality Mitigation:

- Based on the information given, is the segment for the international visitors attractive to justify the required marketing investments for mitigating seasonality?
- Is the public area infrastructure sufficient to support the local professionals who have already combatted seasonality? What can the authorities do to develop the infrastructure?
- How would you convince and support more professionals to combat and keep their businesses open instead of coping and closing them over some periods of the year?
- Would you adopt the small-scale event strategy to mitigate seasonality or should you reconsider?

Event Strategy Plan:

- Are the perceptions of the local professionals enough to create an event strategy plan for Paralia Katerinis or should other tourist stakeholders be included in the study? What role should each of them play?
- What is the potential for a possible realization of event strategy in Paralia Katerinis? What kind of events would you add in the area portfolio?
- How would the risks of a potential event strategy be best calculated and controlled? Can you, as a DMO manager, be optimistic in the future?

Sustainability and Other Challenges:

- What are the sustainable actions for the amelioration of the village during the shoulder and off-peak seasons?
- Based on the literature, the main reason for visitors not to come is due to insufficient access (Baum and Hagen, 1999). Given the privileged location of Paralia Katerinis, how to increase the tourists' awareness of its accessibility? • What is the great tourism advantage of the village that the authorities have yet to exploit?
- Are there any information gaps to be discovered in order to have a general knowledge of the seasonality situation in Paralia Katerinis?

Conclusion

Upon careful evaluation of the situation, an action plan should be made to implement small-scale events in Paralia Katerinis during the middle and low seasons. As a DMO manager, it is crucial to consider the perceptions of tourism stakeholders besides incorporating more elements that were not included in the beginning in order to increase the awareness of the region as an all-year-round destination. There are also various methods and managerial tools that are useful for managing and planning sustainable and competitive sport small-scale events such as the product-market matrices, section elevation diagrams, time period – sport matrices, and tourism area life cycle (TALC). Based on the literature, these tools can be used to address seasonality problems in a destination (Vassiliadis and Fotiadis 2020). Correspondingly, through education, the new generation, especially the children or the “tourists of the future” can become part of this stakeholder engagement effort, which helps sustain sports destinations in the future (Seraphin and Korstanje, 2020).

Teaching Note

Case Summary

Many regions in Greece are facing tourism seasonality; hence, the local professionals must make several endeavors to survive despite without relevant public support. As research has evidenced insufficient case studies on small-scale sports events that

highlight the perceptions of professionals that contribute to seasonality mitigation, this case study, therefore, aims to describe the understanding and perceptions of DMOs and local professionals from a Greek seaside village pertaining to sustainable small-scale sport events as well as seasonality aspects and impacts on their businesses. By reviewing the literature on seasonality tourism and sustainability, an interview guide was created and engaged with the local professionals. While this study raises questions about the stakeholders' involvement in the process of event organization, this study also aims to encourage students' reflection of the seasonality issue and propose some sustainable strategies to enhance the community's policy in order for the region to be an all-year-round tourism destination.

Teaching and Learning Objectives

This empirical-based case study presents a destination example of a sports event's impact on seasonality that helps students through the following teaching objectives:

1. *To enrich the knowledge of seasonality, sustainable tourism, and local community stakeholders.*
2. *To familiarize with the role of DMOs and challenges such as infrastructure deficiencies or accessibility issues under seasonality pressure.*
3. *To evaluate an event strategy within a local community environment.*

In line with the rising competition among tourism destinations and seasonality challenges, the responsibilities of DMO managers have further developed to destination management, which may include cooperation from stakeholders and the locals, product development, familiarity with event management, knowledge of sustainable growth, as well as addressing tourism seasonality and sustainability.

Besides emphasizing the need for an action plan for a destination with severe seasonality problems, the case study also describes several areas (e.g. seasonality, event management, accommodation, and sustainable tourism), thus making it relevant for both undergraduate and graduate students in the fields of tourism, event, hospitality, and other relevant programs with at least basic tourism knowledge.

Teaching Approach and Strategy

Three class sections are proposed to devote to the case study with a minimal requirement of 60 min per section. The first section will begin with an introductory lecture about seasonality and its challenges as well as the initiatives suggested by prior literature on seasonality mitigation with an emphasis on event organization. The second section will start by explaining sustainable tourism, followed by forming small groups of students to discuss the difficulties encountered by DMO managers when making a tourism plan for the region. In the third section, the students will be

accordingly assigned to roleplay as DMO managers, event organizers, local professionals, volunteers, residents, media representatives, and visitors. As a closure to the topic, the students will be required to prepare a report regarding the relevant topics and defend their viewpoints.

Sample Answers

Seasonality Mitigation

In general, the village may only rely on international tourists and design an event strategy plan on such a basis. Hence, emphasis should be given on the sustainable outcomes of the event (e.g. economic and social benefits) to convince more enterprises to remain open, even with little or no environmental impact at all.

While students can choose among the professionals' proposals including their own suggestions, they are also challenged to propose some tourism marketing strategies that are crucial for making the village highly noticeable during the shoulder and off-seasons, such as using the social media, creating valuable content for the village's official website and all events in the plan with SEO tactics, applying new technologies such as augmented reality, and participating in travel review platforms.

Event Strategy Plan

Fundamentally, local professionals believe that the event influences seasonality mitigation, but only in conjunction with other actions. As such, the local and regional managers are recommended to use various tool combinations to mitigate seasonality. Several events can be held in a coastal village, such as open water swimming, sprint, aquathlon, running, wave running, and SUP. Besides, other events could likewise be included in the portfolio, such as cultural and musical performance or activities. Additionally, the strategy plan can also include more stakeholders, such as the media, employees, other residents, and business associations in order to help DMO managers avoid any risks associated with the different interests of each group.

Sustainability and Other Challenges

Every year, thousands of tourists visit Mount Olympus to admire the home of the Greek Gods; however, opportunities are yet to be fully exploited although the village is very close to several places of interest. Hence, the managers should invest more in public infrastructure, improve services, and provide more information regarding the region and its accessibility as well as the professionals' tax obligation throughout the year. To provide more insight into Paralia Katerinis, other information should also be provided such as on cultural, religion, and wellness tourism. For

further knowledge development, the students may undertake the previously assigned roles and discuss the Events Management Training Simulation (EMTS) within the community.

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Chapter 25

‘Little Australia’: Unpacking Cosmopolitanism in Niseko, Japan



Kim Nelson, Rosemary Black, and Larissa Bamberry

Abstract This case study introduces the small village of Niseko in northern Japan, transformed through tourism into an international ski resort. It outlines the history of the resort and highlights how Niseko is an anomaly in an increasingly urbanised country in which rural communities are struggling due to increasing numbers of people migrating from rural areas to the cities. This case study invites students to explore and reflect on the tension between the economic gains from tourism development in rural areas and the impacts of tourism on the lives of tourism hosts. Narrative data are presented in the form of three micro-stories which incorporate both participant and researcher perspectives to offer insight into the experiences of real tourism business owners who live in Niseko and offers potential pathways to address the points of friction between the hosts and visitors. The sociological concept of cosmopolitanism is introduced, and students are invited to reflect on various ways that cosmopolitanism can be used to understand both tourism hosts and tourism spaces.

Keywords Cosmopolitanism · Rural tourism · Host experiences · Japanese tourism · Ski tourism · Tourism spaces · Socio-cultural change

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Introduction

This case study demonstrates how the small agricultural village of Niseko in Japan has been transformed from a rural farming community into an international ski resort through the development of international ski tourism since the late 2000s. The case study highlights how international tourism has influenced the socio-cultural environment of the village, and in particular, how international tourism has changed the community from being composed of a homogenous Japanese demographic to a population which is culturally and socially diverse and inclusive. This case prompts students to contemplate the tension between the economic gains from tourism development in rural areas and the impacts of tourism on the lives of the people who live and work in tourism receiving communities. Data in the form of micro-stories drawn from the experiences of tourism business owners in the Niseko area are presented to provide first hand insights and suggest potential strategies which could be used to address the points of friction between the hosts and visitors.

Once tourism development occurs in a community, the lives of the people that live there are affected by the influence of tourism (Jurowski et al., 1997). It is recognised that unlike other industries, tourism has the capacity to “permeate communities” (Harrill, 2004, p. 2), and is a powerful vehicle of socio-cultural change in host communities (Mbaiwa, 2011; Stylidis et al., 2014; Wu, 2014). Through understanding the socio-cultural impacts of tourism, it is possible to illuminate and explore the relationship between the tourist and the host society and the influence of each on the other (Lupoli et al., 2014). The need to explore and understand these kinds of impact is acute and recognised to be beneficial for industry, governments and the overall well-being of the host community (Deery et al., 2012). Research has demonstrated that involvement in tourism appears to affect both hosts and guests in tourism spaces in a variety of ways (Canavan, 2016), such as changes to lifestyles, values, behaviours and identities (Burr, 1995; MacLeod, 2004; McDowell & Choi, 2010; Sharpley & Telfer, 2002). Despite these considerable impacts, the socio-cultural influences of tourism on residents is an area of tourism research often overlooked (Deery et al., 2012; Stylidis et al., 2014) particularly in rural communities (Yeh & Fotiadis, 2014), such as Niseko, Japan.

The teaching objectives of this case study include: developing an understanding of sociocultural impacts of tourism in a real tourism community and reflecting on both the positive and negative aspects of these impacts; recognising both potentials for, and challenges of tourism in rural communities as an agent of revitalisation; critically reflecting on host perspectives of the impacts of tourism given their reliance on the industry; and introducing and developing an understanding of the sociological concept of, ‘cosmopolitanism’ and how it may apply in tourism spaces.

‘Cosmopolitanism’ is a sociological concept which can be used as a lens to understand social transformation by recognising new or emerging social realities (Delanty, 2006) in tourism spaces. Derived from ancient Greek word *kosmopolites*, meaning ‘citizen of the world’ (Delanty, 2006), cosmopolitanism is defined as the ability to know and utilise a vast cultural knowledge (Kendall et al., 2009).

The concept of cosmopolitanism can be applied when considering both the qualities of people and places (Lawhon & Chion, 2012). The key features of cosmopolitanism in tourism contexts are recognised to include:

- cultural exchange facilitated by mobility
- openness to other cultures
- international travel
- a perception of being globally connected (Hannerz, 1990; Urry, 1995; Vertovic & Cohen, 2002).

Cosmopolitan spaces are created by cosmopolitan individuals, both those who are mobile and those without global mobility. For example, in a study examining the tourism destination of Cusco, Peru, Lawhon and Chion's (2012, p. 541), local participants described feeling as if, "we do not live in Cusco anymore, we are citizens of the world as an outcome of living in a tourism space". Thus, cosmopolitan spaces may be created and recreated by both local and international influences and the interplay between them (Clifford, 2003).

Another perspective of cosmopolitanism relevant to consider in regard to this case is that much like mobility; cosmopolitanism is suggested to be largely underpinned by discourses of consumption (Butcher & Smith, 2010). Cosmopolitanism was traditionally exclusively attributed to the global elite, for example in the context of Niseko, Takeda (2017) notes that Australian tourists are Anglo-Saxon, native English speakers from a first world country and fit typical perceptions of cosmopolitans.

The change that has occurred in the rural community of Niseko is significant, given the history of tourism, limited migration into Japan, and increasing urbanisation in Japan. Rural areas, such as Niseko, in particular, are being targeted as regions rich in opportunity to stimulate inbound tourism growth. Kato and Horita (2018) highlight a key trend in future Japanese tourism research will be centred around the utilisation of tourism as a means of development for rural areas, demonstrating the salience of research concerned with understanding regional tourism spaces. Thus, Niseko represents a distinct case of a rural community, which is countering the broader trend of rural de-population in Japan through international tourism that has shaped it into a unique socio-cultural space.

Rural Tourism in Japan

Rural tourism spaces are recognised as experiencing more acute influences from tourism development than their urban counterparts (Dickman, 1989), and are generally characterised by highly homogenous populations and small family-run enterprises (Beeton, 2006). In comparison with urban areas throughout Japan, rural communities have experienced an economic decline due to a continuing trend of urbanisation and governmental industrialisation policies since the 1960s (Fujita & Tabuchi, 1997; Schneider & Silverman, 2010). For example, many villages

advertise low or no cost abandoned houses as an incentive for young urbanites to relocate to rural areas to combat the dual pressures of depopulation and ageing (Funck & Cooper, 2013). The influence of globalisation and deregulation since the 1980s has further increased this trend towards urbanisation (Shikida et al., 2010).

Agricultural activity in Japan is declining, and in turn, this has affected population levels in rural locations, which as an outcome has threatened the survival of many regional communities (Chen et al., 2018). Funck and Cooper (2013, p. 119) predict a “Darwinian struggle for survival as the population outside major cities across the country diminishes in line with the predicted decline for the Japanese population overall”. The governmental support for rural tourism in Japan is particularly motivated by the prospect of development through the process of *muraokoshi* (awakening the village), underpinned by the decline of these communities (Hashimoto & Telfar, 2010). The sustainable aspect of this kind of development is not motivated by aspirations to preserve the natural environment, but rather with community involvement as a way of overcoming depopulation (Arlt, 2006), and creating jobs through tourism (Funck & Cooper, 2013).

Introduction to the Research Site of Niseko, Japan

Niseko is located on the northernmost tip of the Japanese archipelago on the island of Hokkaido. The island is mountainous and spans 1283 km². Hokkaido is the largest region in Japan, and the most sparsely populated (Teikoku-Shoin, 2010). The area is known for its natural beauty, and a strong farming industry comprised of numerous small villages, many specialising in a particular type of field produce or dairy product (Staples, 2011; Teikoku-Shoin, 2010). Hokkaido has a strong nature-based tourism industry, considered to be an important component of the national economy (Ide, 2012; Teikoku-Shoin, 2010).

Niseko is located 93 km west, or approximately 100 km from the prefectural capital, Sapporo (population of 1.87 million), see Fig. 25.1. The population of Niseko is 4958, and the population density is 25 persons per square kilometre (Niseko Town Council, 2018). Niseko is known for its cool climate, low humidity and abundant snowfall (Japan External Trade Organisation, 2006).

The chance introduction of skiing by an Austrian Lieutenant in 1912, a year after its initial introduction in central Japan, changed the course of the future of the Niseko area. By 1961 the first ski lifts had opened, marking the beginning of the transformation of the area into a ski destination (Committee for Publishing a History of Ski Resort Development at Hirafu, 2011). Underpinned by the success of the 1972 Sapporo Winter Olympic Games, in the 1980s there was a rapid expansion of ski lifts, ski lodges and hotels in the Niseko area (Committee for Publishing a History of Ski Resort Development at Hirafu, 2011). During this period of expansion, many Japanese migrated to the Niseko area from cities in other parts of Japan to pursue a more natural lifestyle (M Kureha, 2014). The area has gained distinction as a world class ski resort due to the consistent falls of high-quality powder snow



Fig. 25.1 The geographical location of Niseko in Japan (Nelson, 2019)

(Staples, 2011). While originally popular with a mostly domestic ski tourism market, it has only been since the early 2000s (Segon et al., 2015) that Niseko has attracted inbound tourists in large numbers (Hirota, 2015). The influx of snow seeking Australians to Niseko was quickly followed by the arrival of Australian investment companies, which led to the development of apartment complexes and travel agencies positioned to serve the new foreign tourists (Funck & Cooper, 2013).

While Niseko town itself is a small administrative hub, what has become known as the 'Niseko area' encompasses ski fields located in the surrounding areas of

Kutchan town, Grand Hirafu, Hirafu Onsen, and Annupuri (Staples, 2011) (see Fig. 25.2).

There are about 250 accommodation facilities in the Niseko area, the majority of which are located near the ski slopes. This number includes five large hotels (100 rooms +), an increasing number of new self-contained apartment complexes targeted at foreign tourists, and a number of smaller bed and breakfast and pension facilities. The style of accommodation developments in the Niseko area is reflective of the Australian trend of taking longer holidays than Japanese tourists (Hirafu, 2011). Australian-style apartment blocks which are four to six storeys high dominate the ski field base and do not conform to the existing style of Japanese ski resort developments (Kureha, 2014); see Fig. 25.3. An international school was opened in Niseko in 2012 to accommodate the children of the growing expatriate population (Takeda, 2017).

At present, Niseko is recognised as an economically successful tourist ‘hot spot’ in Hokkaido, and Japan more broadly (Ide, 2012). The majority of inbound tourists are foreign ski and snowboard enthusiasts, attracted by Niseko’s ranking as one of Japan’s top ski resorts. Niseko is recognised as being transformed from a rural to a cosmopolitan environment by foreign investment in recent years, manifesting what has been termed the ‘Niseko boom’ (Staples, 2011). The local economy has been

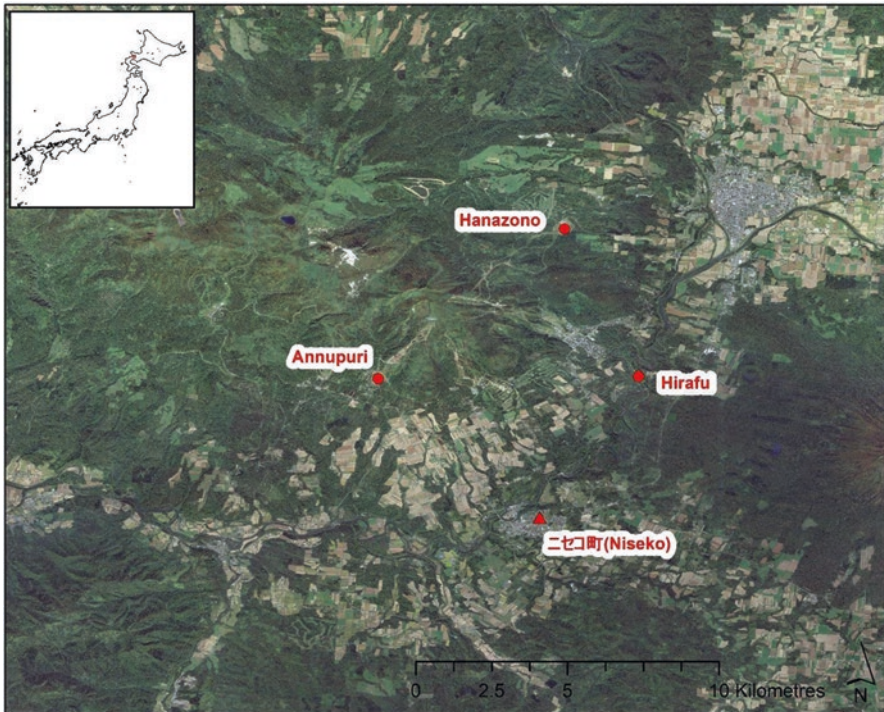


Fig. 25.2 Villages within the Niseko ski area (Nelson, 2019)



Fig. 25.3 Hirafu streetscape. (Image author's own)

revived by foreign investment and has been highlighted by the Japanese government as an example of how foreign investment can revitalise rural economies. However, the long-term feasibility of continued development in the area has been questioned due to the rapid inflation of land prices (Staples, 2011).

Peak tourism season in Niseko is winter (December to April), and during this time, there is an influx of ski and snowboard tourists to the area (Staples, 2011). The Niseko area attracts both domestic and inbound visitors across its seven ski slopes each winter (Japan External Trade Organisation, 2006). During the summer period (July–August) the Niseko area is promoted as a 'green' destination, encouraging tourists to enjoy the natural scenery, hot springs and more recently, adventure tourism such as white-water rafting (Staples, 2011).

The Australian tourist boom occurred in response to Australian skiers and snowboarders seeking an alternative ski destination after the September 2001 attacks in the United States of America (Kureha, 2014). Many Australians are settling in the Niseko area, developing tourism-based businesses and establishing holiday homes, transforming local streetscapes (Committee for Publishing a History of Ski Resort Development at Hirafu, 2011; M. Kureha, 2008). Due to the concentration of Australians in the Niseko area, the prominence of English and availability of Australian food, it is often referred to as 'Little Australia' (Takeda, 2017). Statistics from the local government office demonstrate this demographic change. For example, in December 2003 eighty foreign residents were recorded in the region, and by December 2016, this had increased to 1545 foreign residents (Kutchan Town Office, 2016).

While such increased tourist demand and tourism development are positive for the economic outlook of Hokkaido and Niseko, it is clear that international tourism also has other influences. Research by Nelson (2019) and Nelson and Matthews

(2018) investigated the perceived effects of Australian tourism in the Niseko area and highlighted, firstly, a developing Australian tourist enclave and secondly, potential issues with regards to excessive alcohol consumption and other anti-social behaviours among Australian tourists. The Japan External Trade Organisation (2006) reported that one of the key obstacles facing the future of tourism in the Niseko area is concern regarding potential friction between Japanese hosts and foreign guests, which is underpinned by the significant increase in foreign tourists.

In addition to the impact of Australian tourists on the social environment of Niseko, inbound travel from nearby Asian countries has also increased in recent years. In 2016, Niseko welcomed 1,693,000 foreign tourists, and of these, the top three source countries for inbound tourists included China with 39,902, Hong Kong with 33,616, Taiwan with 29,024 and Australia with 24,856 (NisekoGovernment Office, 2017). With a recent increase in direct flights from mainland China to Hokkaido, the number of Chinese inbound tourists to Hokkaido has been steadily increasing since 2007 and the latest statistics from 2016 indicate they have overtaken Australian tourists (Foster, 2011; NisekoGovernment Office, 2017). This is not surprising, given that China is acknowledged as the leading tourism market worldwide (UNWTO, 2014) and Japan is identified as one of the top ten outbound destinations for Chinese tourists (CTA, 2014). The pattern is the same in Niseko with the Kutchan Town Office reporting seventy-six Chinese tourists to the Niseko region in 2005 and 8179 Chinese tourists in the area in 2015 (personal communication, 2016). In light of this rapid growth and the contribution it is no doubt making to the local tourism economy in Niseko, it should be noted that recent research by Ji et al. (2016) has revealed that Japanese domestic tourists in Niseko feel challenged by the different manners and customs of Chinese tourists in the area. To assist in navigating tourist behavioural issues, the Hokkaido Tourism Board released a guide to appropriate behaviour for Chinese tourists in Japan (HokkaidoTourism Organisation, 2016) detailing the 'correct' way to eat in restaurants, use Japanese bathroom facilities, queue, behave in shops and at hot springs, and interact with attendants and other service personnel. The brochure has since been taken out of circulation (after complaints from Chinese tourists who were offended by it), but its very existence highlights the fact that Chinese tourists presence is having a notable impact on the social environment in the area.

The Situation

As a regional community in Japan, the Niseko area provides a unique case of tourism space, which has been physically, socially, and economically transformed by international tourism. As a previously rather culturally homogenous area, it has experienced rapid tourism development and significant changes in a short period of time. These changes include the emergence of an Australian tourist enclave, into which other groups, including Chinese tourists, have since moved, transforming the social space of the town. The physical evidence of the foreign influence brought by

tourism to Niseko is easily discernible to any visitor; however, the social impacts on individuals who are living and working in the tourism space are less evident. Addressing this gap, the following three micro-stories are drawn from narrative interview data aimed at unpacking experiences of Japanese and Australian tourism business owners who live in Niseko, Japan (Nelson, 2019) to offer a window into the experiences of individuals living in this unique socio-cultural space.

Micro-Story 1: Kita-San

Kita-san is the kind of Japanese man whose energy belies his age. Slightly built with sharp features, he ascends the steep wooden staircase to his guesthouse with ease. Having lived in both the USA and England, Kita-san speaks excellent English and has prepared a whole table of pamphlets and maps that he thinks could be useful. He gives a quick tour, and then we get down to business. No tea or chit chat. Although not a teacher, Kita-san has the presence of a polished instructor, and he is most insistent that everything is covered.

Kita-san was born in Hokkaido, not far from Hakodate, and his wife was born in Sapporo. After they married, they lived abroad for a time, and then returned and settled in Kobe for 30 years while Kita-san worked as a company employee. Uncomfortable in the hot climate of Kobe, they returned to Hokkaido and chose Niseko as it is halfway between their two hometowns. They did not move with the intention of building holiday cottages, however, encouraged by a local builder who was building their house, they agreed to the construction and opened it to the public in 2000.

Kita-san attributes the growth of Australian tourism in Niseko to two key factors, firstly the oil boom in Australia, and secondly, Australians wanting shorter travel times when travelling abroad to ski. He estimates 90% of visitors in winter were Australians in the early years, around 2004–2005.

Kita-san reflects that when he first moved to Niseko, there were mainly small cottages down the main street and a spa and lots of space between buildings and natural forest close to the houses (he illustrates this with one of his maps). More recently, however, he has noticed many more Asian visitors have been coming to Niseko. Interestingly, Kita-san believes that tourism has had little impact on the local economy as he sees most of the profits going outside of the town due to all the investment.

An important point of difference about Niseko identified by Kita-san is that there are opportunities for citizens to attend town meetings and express their opinions and advocate for change. This is a process that he is very proud of being a part of, and he cites numerous examples of recommendations the citizens have suggested that have been acted upon by the local council, such as increased English signage. Kita-san is adamant that Niseko is,

Very, very different (from other parts of Japan). Because this town is the first town to declare such kind of regulation. It's the first town. Therefore, we could speak about many problems.

One of the troubling outcomes of tourism business development for Kita-san is that the increased wages offered by large tourism businesses have affected the capacity of farmers to be able to afford to employ workers. He feels this situation is compounded by the very low unemployment rates in the area.

In terms of his own experience of living in a tourism space that has been transformed by international tourism, Kita-san feels that he has not had to adjust at all;

I have experience of living abroad, the United States and the UK. I visited many times Australia also. So, here is not so different for me at all.

He believes that living overseas has been the experience, which has really changed him, exposing him to different cultures that have different ways of thinking;

One thing is the thinking way. Mm, many things actually. One, the biggest thing is that I recognise individuals is most important thing for human beings, but for Japanese are used to act as a group. Also, along with that, many people have their own way to live or think so, he is he and she is she.

Kita-san illustrates his different perspective as he shares a story about the recent increase in Chinese tourists to Niseko. He remembers how they were largely thought of as 'trouble makers' as they seemed not to follow the rules in terms of things like disposing rubbish or being quiet in restaurants; many guesthouses did not want to have them. Kita-san's perspective was quite different. He could see there was a cultural difference and told the other accommodation owners that they needed to be patient and their manners would improve in time. Kita-san felt that for people who do not have experience living abroad, it is hard to understand such cultural difference.

Kita-san has clear plans for his future and no intention of slowing down. He is very committed to the idea of intercultural exchange and hopes to facilitate this by working with the council to develop a student exchange program in Niseko.

Micro-Story 2: Shimizu-San

The guesthouse is right in the middle of town in a prime location. We knock and wait for quite a while for an answer; there is no one about. Eventually, a late-middle-aged woman in an apron answers the door and seems annoyed about being disturbed. I feel like I am imposing, and it does not sit comfortably with me. I am very aware that she is reluctant to refuse us out of politeness. Despite having arranged the interview with her, she says she is busy but will talk to us quickly, as she has to prepare dinner. Donning slippers in the genkan, the interpreter and I are led to the main area of the guesthouse, it is quite dark and full of country style pine furniture. Large soft teddy bears are the decorative theme; their eyes, like drops of hard toffee, are unsettling.

Shimizu-san speaks rapid fire Japanese to the interpreter, as her story is carefully unfolded. Born in Tohoku, Shimizu-san moved to Niseko in 1980 with her young family to pursue a new lifestyle that would allow them to ski. This was one of the first guesthouses in the area, and in the early times, she mainly had Japanese guests. An Australian man and his Japanese wife approached her about having foreign guests, and because she liked them, she agreed. After that, everyone started copying the idea, and many Australian travel companies began to 'broadcast' Niseko. Things began to change, *ahh there were more who came and there were people who sold land and they invested and then more buildings were built like this.*

Shimizu-san recounts how more and more of the original Japanese guesthouses are being sold; *Because they (foreigners) paid three times more than its original value, that is why they sold their properties.*

She recounts how her feelings have changed since that first foreign guest:

I appreciated it in the beginning, but recently, when foreigners come, I am sorry, you are a foreigner, well it is stressful. Has been very stressful, still very stressful. It is because, maybe because of this location, Australians scream at night, over drinks. They drink a lot, don't they? And it wasn't here, but there was a fight at a bar. And there are a lot of fireworks, and public safety and peace got worse. And here, last year. Someone who wasn't my guest was sleeping here, of course there was no room, so they were sleeping in the entrance way. It happens every year. My car is parking in front of the guesthouse, it was a little bit damaged. And because of those things I am stressed. More and more stressed. Ahhhhhh.

Shimizu-san is clearly being impacted by foreign tourists. In winter, she describes feeling like she is in a foreign country, and laments needing to use English which she hoped she was finished with at university.

Looking forward, Shimizu-san is thinking about retirement and the possibility of moving. Still, there is tension around this decision, as she clearly is deeply connected to the landscape of the Niseko area.

We are at a certain age, so we are hoping, we are hoping live somewhere quiet. I hope, in the end.

Ahh. I want to have relaxing time, with doing what I like, like hobby and watch Mount Yotei. Not here, it is too noisy. Quiet place. I like Mount Yotei, as long as I can see it. With watching, looking at Yotei. (laugh). I like mountains. I like mountains more than oceans. Life like that. It's cold though. And I have to shovel the snow. (laughs). But it should be ok.

This interview did not have the same open, expansive feel of most of the others, and interestingly she seemed, out of all the participants, to be the one not only resistant to being interviewed but also resistant to the change brought by tourism. I could sense a kind of anger in her, and as the interview progressed, it seemed to become an opportunity for her to voice her discontent, space for her experiences to be heard.

Micro-Story 3: Brad

Japanese families are busy creating and recreating memories. Sausages on a stick can be bought from the open grill and fresh berry ice cream from a stand. The in-house café has an impressively long menu of coffee varieties. Children are delicately balanced on horses and slowly led around the grounds. The squeal of delighted toddlers punctuates the air as chubby hands discover the bristly touch of the farm animals, safely ensconced in the stalls. Hay is on the ground, and the staff wear long black gumboots. Brad welcomes me like an old friend; our conversation flows easily as we sit on a high veranda and talk over the steady noise of the tourists below. Dressed something between a cowboy and a drover, Brad's Australian accent is unchanged from many years living in Japan.

Brad studied Japanese at school and did a student exchange to Japan involving a trip to Hokkaido. From that point, he knew he would somehow return. While at university, he travelled to Hokkaido in the long summer breaks to work in a sausage factory and ski in the non-work hours. Brad returned to Hokkaido after university, and each weekend travelled to Niseko to ski. While there, he stayed at a small guesthouse and became friendly with the owner who was something of a maverick, *he drilled his own onsen and all that sort of stuff and it was just a mish mash of whatever he found lying around – he would build an extension out of it, basically think like 'The Castle'... Japanese version.*

When the guesthouse owner found out he was dying, he encouraged Brad to buy the business so his wife could retire after he died. Brad reflects that he, *was just the right place, right time, there were enough people. (I) basically just sent a letter back to all my friends in Australia saying I have got this ski lodge, I know I have been pestering you all for years to come and stay but seriously come and stay this place is amazing come and check it out. So, lots of bites from friends, so they did a lot of the work for me and passed it on and word of mouth and at that stage there was really nowhere else to stay that was, well certainly not budget that was easy for foreigners to get into so, I mean we were almost full from year one. No business plan required.*

The guesthouse thrived, and Brad's life revolved around running it;

I basically worked really hard every winter for about ten years and did not do much in the summer for ten years.

Despite the lifestyle advantages, he felt the running of the business *still weighed on me, I still stressed. Also, it was getting really noisy on that street, we were getting a lot of drunkards as well, snowguns, bogan riff raff coming through. So, most of my clientele were families and it just wasn't nice, waking up with sick on the front of the door or you know they would be walking home not even that late and idiots would be pissing on the door or whatever, so I was just like nah this isn't fun and I was getting stressed of a night because there was doof doof music keeping everyone awake So I am totally responsible. It was just stressful.*

Eventually, Brad turned the guesthouse into a restaurant and brought in partners to run it. For a time, he worked in tourism real estate development and then resort development for a large Thai company, as their international development director. He describes this period as changing him from a 'ski bum' to someone who could understand a corporate environment. At this time, his perception of large companies transformed. He began to see them as entities that could make a positive impact when underpinned by good people with a clear vision. During this period, Brad worked on understanding branding and distilling the core values of the company. This experience had a significant impact on Brad and how he views his current tourism business and its context.

It really, really changed me. It changed my thinking, it just gave me a lot more understanding, knowledge about what it is all about and how that relates to everything, and since then I have been constantly changing, it has become a big thing for me. So, what I am doing here is a constant exploration of actually what I want from this place, what I want this place to be um you know how that fits into the land here.

Brad has noticed changes to Niseko in the time he has lived there, from the early days of domestically driven tourism to the 'Aussies who came in force' and grew the town and things got, *busier and busier and your Tim Tams and Vegemite and all that sort of stuff started appearing.*

More recently, he notes an increase in tourists from Hong Kong, Singapore, and also more Scandinavians, whom he affectionally describes as, 'the tall, blonde, good looking bastards'. Brad remembers turmoil in the community when foreigners started buying up businesses; however, he reflects,

it was inevitable that if the Australians hadn't come in they would have closed, it was that simple. It had a huge impact on the economy, people coming in and buying up and then getting the international travellers to come and ski there ahh saved it, I mean, you can talk about community all you like. One way or the other, if the Australians hadn't come the resort [it] would have been, bye bye, ahh, so it killed the community while simultaneously creating a new one.

Brad describes his vision for himself in the future as a 'gentleman scientist'. He is reflexive about his role as a tourism business owner.

I am not the kind of person that is going to come in and bulldoze everything, I am not a, I wouldn't want to come in and (force change), so my branding has to fit in with learning the history of this place and that is really working out what the future is and how that fits into my concept as a gentleman scientist. I think we probably could have treaded, even a little bit softer.

Brad has spent almost his whole adult life in Niseko and reflects that he feels like he has grown up alongside it, he had watched it transform from the rough and ready early days when it was dominated by young Australian snowboarders chasing powder snow and cheap accommodation and beer, to the world class resort it is today offering luxury accommodation, fine dining and a burgeoning holiday home industry. This young Aussie snowboarder turned businessman, and now aspiring gentleman scientist looks perfectly at ease as he tips his Akubra to thank me and disappears into the crowd of tourists below.

Conclusion

This case study has demonstrated how the development of tourism can have a transformative impact on rural communities. The sociological concept of 'cosmopolitanism' was introduced and discussed in relation to tourism spaces and the people who live in tourism receiving communities and was applied as a lens to offer a more nuanced understanding of social transformation in Niseko, Japan.

This case study has unpacked the different reactions of tourism hosts regarding international tourism development in rural spaces. It has explored the inherent tension between the economic benefits of tourism and social and cultural impacts on host communities. The micro-stories presented in this case, illustrate the various ways cosmopolitanism can be embodied by both people and the places that they inhabit. This case draws focus on the question: how can we create strategies which engender culturally sensitive and socially sustainable tourism development?

Teaching Note

Case Summary

This case draws on the narratives of three real tourism business owners in Niseko, Japan, to illustrate how international tourism development can influence the lives of the people that live and work in tourism spaces. The sociological theory of cosmopolitanism was introduced, a concept which can be used to understand social transformation by recognising new or emerging social realities in tourism spaces.

Teaching and Learning Objectives

1. *Understand the socio-cultural impacts of tourism in a real tourism community and reflect on the positive and negative aspects of these*
2. *Recognise the potential for and challenges of tourism in rural communities as an agent of revitalisation*
3. *Introduce and develop an understanding of the sociological concept of 'cosmopolitanism' and discuss how it may apply in tourism spaces*

Target Audience

At an early undergraduate level, this case study could be used to foster greater understanding and critical thinking about rural tourism and tourism impacts in host communities. At third year or post-graduate levels, this case-study invites students to apply theory to real data and prompts students to reflect on multiple perspectives within a single case.

Teaching Approach and Strategy

The following format could be used for students to use this case study in a classroom environment:

1. Students to read the case study individually (or set as required reading before class) – 20 min.
2. In class, students are allocated into small groups of 4–5 and given 2–4 of the teaching questions as relevant to the focus of the course to brainstorm as a group – 15–25 min.
3. Each group shares their ideas with the whole group – 15–20 min.
4. The instructor facilitates a group discussion to unpack any other key ideas and encourages students to think critically about the ideas – 15 min. Students should also be encouraged to think of other example towns and regions (e.g., from their own experience) to further reflect on the key aspects outlined in the case study (this could be set as homework as a reflective task).

Case Study Questions

1. Reflect on the experiences of the three business owners, what similarities or differences could you identify between their experiences?
2. What challenges has the development of international tourism brought to the lives of tourism business owners?
3. What lessons could be learned from this case which could be applied to other struggling rural communities in Japan?
4. Reflecting on the concept of 'cosmopolitanism', are there any examples of non-cosmopolitan behaviour and attitudes that are apparent in the micro-stories?
5. In the study conducted in Cusco, Peru, by Lawhon and Chion's (2012, p. 541) local participants described feeling as if "we do not live in Cusco anymore, we are citizens of the world as an outcome of living in a tourism space". Reflect on this statement in relation to the experiences of the tourism business owners. Ask students to identify with this feeling from their own experience. Ask how they feel, why etc.

6. Reflecting on the three tourism business owner's experiences and the key features of cosmopolitanism, which tourism business owners (if any) are cosmopolitan and why?
7. Do you think international tourists have contributed to Niseko functioning as a cosmopolitan space? Explain why or why not?

Sample Answers

1. Both Kita-san and Brad had lived abroad before settling in Niseko, thus had experience with other cultures, Shimizu-san, has not lived overseas and not had the same opportunity to develop the same level of cultural acuity. Both Brad and Shimizu-san express that they have been in situations when tourist behaviour has negatively impacted their lives; conversely, Kita-san feels that he is so comfortable with foreigners that they have no impact on him.
2. Some of the challenges include; the flow of tourism revenue flowing out of Niseko, alcohol fuel anti-social behaviours, tourism jobs driving wage prices up and drawing workers away from traditional roles, Chinese tourists not following social norms, land prices increasing due to foreign investment and trespassing.
3. Local communities and councils need to be cognisant of the potential economic impacts to the local community of international tourism development. There is a need for proactive planning to navigate cultural differences and social norms between the host community and incoming tourists. The development of international tourism in rural spaces may require increased English (or other) language capacity.
4. Examples of non-cosmopolitan behaviour include the tourist's alcoholic fuelled antisocial behaviour and Shimizu-san's apparent resistance to connecting with other cultures.
5. Shima-san says she feels like she is living, 'in a foreign country'; further, Kita-san's cosmopolitan attitude aligns well with the idea of being, 'a citizen of the world'.
6. Kita-san appears to embody cosmopolitanism in terms of his commitment to cultural exchange programs, openness and understanding of other cultures, his extensive international travel experience and his perception of all being the same. Likewise, Brad also has extensive travel experience, demonstrates respect for other cultures.
7. The explanation for why and why not would include:
 - It has become a site of cultural exchange and transformation.
 - It has become culturally and linguistically diverse.
 - The built environment reflects a fusion of Western and Japanese design.
 - The shops and restaurants provide international foodstuffs.
 - There is a sense that at a local government level, there is a level of openness to international development.

- Cosmopolitan behaviours and attitudes are still evident amongst both tourists and locals.
- Some of the tourism development has clearly not been culturally sensitive and has negatively impacted local conditions

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Chapter 26

Repositioning Gold Coast: A Place Branding Perspective



Marco Ocke and Allan Augusto Platt

Abstract Internationally recognised as a tourist destination, the City of Gold Coast has developed place branding initiatives to express a transformational shift in the local economy towards a reputation of a global city and to ensure strong presence that reinforces the competitive attributes that build its identity. Repositioning Gold Coast was based on the concept that the city is a business environment full of opportunities inspired by its residents' lifestyle, aiming to boost innovation and entrepreneurial culture without losing its destination branding features important to tourism and hospitality stakeholders. However, the intention to communicate to different markets simultaneously may lead to the risk of the message becoming abstract and not appealing to any audience, similar to other competing places or oriented only to a particular target profile.

This case study fosters an understanding of place branding as a long-term planning strategy approach to support the growth of a diversified and sustainable economy. The readers are invited to discuss the possible outcomes of repositioning Gold Coast and develop suitable strategies to achieve effective communication results.

Keywords Place branding · Repositioning · City of Gold Coast

Introduction

The Gold Coast in Queensland, Australia, has grown from a coastal tourism town to a city with a more diversified economy. The cyclical nature of the tourism industry coupled with the influence of external forces has, however, left the city of Gold Coast in a vulnerable position. An early reliance on the tourism sector as one of the main engines of the local economy has resulted in overconfidence in generating sustainable long-term growth. To achieve greater economic resilience, the city

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needed to reimagine its future to transform into a more diversified economy – economy beyond tourism. In this scenario, place branding initiatives seen in recent years in Gold Coast indicate that the city is now recalled not only as a domestic and international tourist destination, but also a place of opportunity where lifestyle and natural environment are extremely attractive to new markets, investments and trade possibilities, especially in the arena of competition and cooperation with Asian countries and cities. Gold Coast identity has shifted, and the city moved away from the old dependency relationship of Brisbane, the state capital of Queensland. Its current vision is to be seen as an outstanding global city proudly looking towards its future with a competitive positioning laying on the statement “*Inspired by lifestyle and driven by opportunity*”.

Surveys conducted by the public administration have indicated negative perceptions about the socio-economic dynamics of Gold Coast, so city managers developed a brand repositioning project based on long-term strategic planning, embodied in action programs regarding administration, urban and mobility planning, demography and local economy, sustainability and promotional actions of the Gold Coast brand. Repositioning Gold Coast encompassed the diversification of business and industry sectors focused on not losing the traditional strengths of its economy, such as tourism and hospitality services, but the growth of the capacity of new emerging industries at the global level. To this end, the city needed to move forward economic driving sectors that are essentially driven by foreign markets. This represented a transformational shift in the local economy that was centred on services and consumption based on the domestic and tourism markets, towards an economy focused on the commercialisation of products and services to external domestic and international markets. Gold Coast sought to increase investor confidence, expand the supply of qualified employment, diversify the economy, improve productivity levels and double exports. To measure change, control actions have linked public policy activities and outcomes to the city’s socio-economic performance levels.

Gold Coast is one of Australia’s most popular tourist destination and the fourth largest tourism economy in the country. With an international airport and a wide range of hospitality and attraction services, the city receives an average of about 11 million leisure and business visitors each year. However, a decrease in visitation has been observed in three of Gold Coast’s largest markets – New Zealand, Japan and the United Kingdom. Even so, international tourism increased by about 35% between 2010 and 2019, mainly driven by strong growth in Asian markets. According to Destination Tourism Management Plan, by the year 2020, the goal was to increase the length of stay and average visitor spending through a broader and more varied range of products and experiences, which would contribute significantly to the local economy. In addition, another major direction outlined in the plan was to increase international visitation, maintain market share in traditional international markets – Europe, Japan and New Zealand, and ensure higher growth rates in Southeast Asia, China and emerging markets like India.

City managers decided that competitive positioning should be based on the concept that the city is both a leisure destination and an environment full of opportunities inspired by its residents’ lifestyle. This competitive positioning would enhance

the business environment and consolidate the city as one of the top investment destinations in the country. The main challenge to reposition Gold Coast was to establish the city's competitiveness and reputation in the global market and to ensure a strong presence to reinforce the competitive-forming attributes that build its identity. The rebranding program signified the intention to develop the city to become an international place of choice for new businesses and residents; aiming to boost the creation of a global city that is recognised worldwide for its unique lifestyle, talented people, innovation and entrepreneurial culture without losing the tourism and hospitality destination branding features.

Taking everything into account, repositioning Gold Coast provides us with a dilemma: what are the possible outcomes on the tourism and hospitality industries by shifting the city image from an established international tourist destination to a wider variety of targets? And how can residents and different local business sectors of the city be influenced and benefit from Gold Coast's brand repositioning? Whilst promoting images of common interest across distinct functional areas should focus efforts on a unifying strategy that leads to a shared vision of place, fragmented actions that disperse investment in place branding could reach a wider audience. In this sense, does the search for a unifying message that brings together different target markets simultaneously lead to the risk of the communication becoming scattered and abstract, resembling a non-brand, tasteless, not appealing to any audience and too similar to other competing locations, or oriented only to a particular audience profile and others left behind?

Place Branding: Identity and Image

The popularity of place branding studies can be observed in the boost of books on the subject as well as in the increase of papers published in international journals (Aronczyk, 2013; Dinnie, 2015; Go & Govers, 2012; Kavaratzis et al., 2014; Zenker & Jacobsen, 2015). Significant growth in investment in place branding is also noted in competition for resources, investors, skilled workers and visitors in locations of varying scale and complexity (Lucarelli & Berg, 2011; Oliveira, 2015; Rinaldi & Cavicchi, 2016; Zenker & Jacobsen, 2015). In theory and practice, there are varied perspectives on the phenomenon, addressing brand-forming attributes of a place as well as the participation of different players in brand management and a diversity of local target markets.

Brand management viewed as a way of place governance must consider long-term planning, feasibility studies and analysis of environmental and socio-economic impacts for the execution of efficient and lasting action programs. Place branding initiatives must include evaluating metrics based on the objectives proposed by these programs, examining the possibilities of cooperation among players to achieve common goals. The lack of coordination and strategies fragmentation may lead to inconsistency in the policies resulting in a drawback to the effectiveness of place branding in the long run. Thus, the allocation of responsibilities to all participants

avoid conflicting actions and the efficient place brand management should list key components for each activity, including ways of operating and implementing action plans, a matrix of operational costs and execution schedules.

Despite the increasing presence of place branding in theory and practice and its multifaceted essence, the brand analysis of places is anchored in corporate brand strategies. Local and corporate brand management is multidisciplinary in origin, involves various interest groups, is endowed with intangibility and complexity, spans multiple identities, and requires long-term development to achieve satisfactory results (Anholt, 2005; Govers & Go, 2009; Kavaratzis et al., 2014; Knox & Bickerton, 2003; Shimp et al., 1993). However, applying the concept of branding to places should be viewed as a distinct form of branding. In addition, place brand ownership is uncertain due to multiple interest groups, which implies the growing need for studies to explore wider possibilities and development in place branding, such as the countries and their trade relations – *nation branding*; place of origin and the power of own industrial production – *place of origin branding*; productive regions and their businesses – *cluster branding*; and the promotion of tourist destinations – *destination branding*.

Countries, regions, states, cities, clusters and communities can be branding entities if their characteristics can differentiate themselves from others. Kavaratzis and Ashworth (2005), in this context, suggest that a name is a brand and, similar to other types of offerings, people can share a consistent set of characteristics, images or emotions when they recall or experience a particular place. Even when a place does not consciously manage its brand, people keep an image that results from many characteristics and determines attitudes and behaviours in relation to the place, and that can be brought up by the mere mention of its name, influencing decisions regarding purchases, investments, relocation and travel (Dinnie, 2015). For these reasons, the main framework to outline a better understanding of place branding is the link of brand identity and brand image. While identity is an emitting concept, which refers to a dynamic phenomenon between the political dimension, the territorial tangibles and the results of socio-economic and technological interactions of people in space, the image is a receiving concept because it reflects the way the public perceives it.

The concept of place brand identity, through its functional and symbolic dimension, has the ability to substantiate and value this identity by promoting identification and involvement with audiences and simultaneously distinguishing it from competing locations. It can be better understood as a simplification of a large number of beliefs, impressions and information linked to it, which includes many factors such as its history, geography, art, music and famous citizens (Kotler et al., 1993). This way, the identity of a place is the set of elements that gives it a personality or gives it an image. In other words, it is the knowledgeable structure relative to place. Locations have identities with patrimonial, economic, technological, relational, social and symbolic attributes that form the basis of the image-building processes of territories. In summary, place brand management act on a continuum between the attributes of the territory and the public recognition and interest for these characteristics, that is, on a continuum between the identity and the image of the place.

The image of a place is then a network of associations in the minds of consumers based on the visual, verbal and behavioural expressions of a place, which are represented through the goals, communication, values and the general culture of the place compound (Zenker, 2011). The brand design applied to places enhances a synergistic link with economic development, contributing both to attract and retain people and companies and to favour co-branding by extending place's image and brand attributes to local products and clusters promoting new and multiple centralities in the region. The possibility of a place promoting its qualities and managing its image is right connected to competition for investments, making it imperative that places take care of their image to become a competitive option. The process of image building of a place is based on a set of signs and experiences that individually may not be decisive in the receivers' opinion, but as a whole become fundamental to the construction of a value judgment. Consequently, the image of a place is a basic determinant of how internal and external markets react to it, so a place must try to manage its image assertively.

Gold Coast Identity

The attributes of places are difficult to define, including their image and the numerous associations they evoke in opposition to goods and services it provides. To fill this gap, Gold Coast managers invested AU\$500,000 in conducting research and community engagement actions to diagnose the values perceived by city residents and entrepreneurs in relation to their competitive attributes. Focus groups were held in Sydney, Melbourne and Brisbane to identify what individuals in other Australian cities thought about Gold Coast, and such information was compared to the impressions of the city's residents and businesspeople. The results showed that internal markets believe that the city has a high quality of life and consider that the place offers excellent conditions for living and working. However, Gold Coast residents' labour force participation, productivity and income levels are all below national and state averages. Thus, the city reflects a management challenge as it is externally perceived as a centre of leisure and recreation, especially for nightlife entertainment, consisting of unimportant business and less qualified employees, which, in fact, does not portray the reality of its diversified economy.

Decision makers were then sure that it was essential to reposition Gold Coast by rewriting the strategic vision to meet challenges through market-driven planning by diversifying the city economic base, and developing mechanisms to adapt flexibility to conditions, fostering and cultivating entrepreneurial characteristics, and including greater private sector participation. In this regard, there is a major concern in involving the city's main market, made up of residents, community leaders and local entrepreneurs, in the decision-making processes for the action programs developed to improve the Gold Coast product. The idea is to work on leadership and efficient articulations that privilege place development based on market needs over political interests and, to make it happen, public consultation programs are constantly

highlighted, especially related to large investments in projects to expand and improve the local infrastructure network, as well as environmental preservation programs.

In order to diagnose the current competitive brand identity of Gold Coast, this case went through the city's official publications regarding long-term strategic planning embodied in action programs of public administration, urban and mobility planning, demography and local economy, sustainability and promotional actions of the Gold Coast brand. Following, the results found on the long-term programs proposed by the City of Gold Coast in terms of the contemporary constructs that build its competitive identity.

Socio-Economic Assets

Socio-economic assets refer to the strength of different sectors of industry and services in relation to employment levels and professional qualifications of the local workforce.

Industry growth over the past few years in value-added terms has resulted in a change in the economic structure of the city, where, although important and traditional, the manufacturing, construction, tourism and hospitality sectors have declined, while health, education and other professional services sectors are increasing their contribution each year. Besides, it is noted that despite local and regional economic growth, Gold Coast residents' labour force participation, productivity and income levels are all below national and state averages, due to current profile of industries, jobs and lower skill workforce levels.

The population composition acts mainly on the activities of the superstructure services network, the main local economic activity and which employs the vast majority of the city's residents. Industry value-added, an indicator of business productivity in the Gold Coast, pictures that the construction sector is the most productive one followed by health and manufacturing sectors. In combination, these three sectors accounted for over 30% of the total value added by industry in the city in recent years. Regarding the workforce, the three most popular sectors are retail, construction and the health and social care sector, employing around 35% of the local workforce.

Educational qualification is the most important theme in all scenarios used to model the requirements of the city's future workforce for years to come, in particular, to improve its competitive positioning by providing products and services to Asia. Numbers indicate rapid growth in professional management occupations, as well as health services and social assistance sectors. This way, much of the increase in the productivity of the required workforce will be achieved by boosting residents' educational skills, attracting talent and investing in science and technology sectors.

Structural Assets

Structural assets refer to equipment, resources and the provision of public and private services in the Gold Coast.

By examining the City of Gold Coast action programs, it can be stated that the place is working to improve its shopping and business districts, turning them into attractive places that meet the needs and aspirations of the community and reflect its identity to attract new business and generate community development. The process involved initial public consultation, planning and proposed urban design solutions, the implementation and maintenance of interventions to ensure its lasting lifecycle. Within the program, the retail chain has also been undergoing numerous renovations. It has been continuously adding new businesses, where it is possible to observe the increased competitiveness among commercial districts that started to group a larger number of retail activities, shopping, leisure and recreation. There is also concern with the expansion of the transportation network and vehicle traffic control due to projections of economic and population growth, programs to attract new businesses and residents, and increased tourist flow for the coming years.

Environmental Assets

Environmental assets refer to conservation and sustainable development policies.

Gold Coast has recorded high population growth rates and points to ongoing projections for the coming years. This phenomenon has resulted in significant demographic changes. The city's population has primarily English, Australian and Irish ancestry. Also, 10% of Gold Coast residents came from countries where English was not their first language and individuals born in New Zealand, and the United Kingdom are the main representatives of foreigners living in the city. The potential impact of this growth on the natural environment includes reduced vegetation, loss of species and ecosystems, habitat fragmentation and reduced water quality.

Despite the increased investment in the superstructure network, Gold Coast highlights the importance of natural attractions as the main source of leisure and recreation for residents and visitors. The natural and built environments encourage its users to engage in an active lifestyle through recreational and professional sports, forming a significant feature of the local culture. Public administration has a responsibility to manage the impacts of climate change on local biodiversity, especially in vulnerable habitats such as inland and coastal areas. To this end, develop long-term action programs based on joint best practice research with a range of analysis and mapping with extensive stakeholder consultation, including expert consultants, public managers, government agencies, community interest groups, and industry representatives is critical to regional development. In addition, Gold Coast is at the forefront of coastal management initiatives where pioneering techniques developed have already benefited other communities around the world and are continually being refined.

Geographic aspects such as climate, nature, location and famous people are decisive factors in the construction of the attributes that form the image of a nation, state, city or community, but do not act in on their own. In this sense, other promotion channels, such as the economic sectors that partially determine the competitive advantages of the place together with its industry, services, resources and legislation, must be taken into account. Thus, the strength of the economy of a place, along with the culture and characteristics of its people, acts as an exposition to the world scenario, determining rhythms of development and prosperity. Besides, politics plays an integral part in these relations and is an important channel of information through diplomacy and influence on every part of the image of the place.

Gold Coast Image

Internationally known as a tourist destination, Gold Coast seeks to reposition itself to establish a reputation as a city with growing economic opportunities, emphasising the characteristics of its residents inserted in the integration of built and natural environments as a way of attracting new markets in a scenario of great international competition for visitors, investments, exports and skilled labour. As mentioned before, Gold Coast is also perceived by external markets as a leisure and recreation spot, especially for nightlife entertainment, consisting of unimportant business and less qualified employees, which, in fact, does not portray the reality of its diversified economy. The city administration, through actions programs to attract new residents and investments, believes that its image can be changed by a broader promotion of the value of education within and outside its community and through partnerships with service business and industry to create and promote skilled jobs, and with the higher education sector, to develop bright aspirations for the domestic and foreign markets.

Empirical research (Anholt, 2008; Dinnie, 2015; Rainisto, 2003) shows that the images that places project are important extrinsic indicators in evaluating their products and investment opportunities, leaving no doubt that places must position their brands consciously. So, places need to project a substantial and strong image to attract potential buyers through unique and differentiated positioning. From a procedural perspective (Ashworth & Kavaratzis, 2008; Braun, 2011), it is essential to clarify place brand management as an effort to select local identity attributes, translate them and communicate them through a positioning strategy, materialised by symbols, arguments and techniques of communication that distinguish the place from competitors and represent value for all their audiences. In other words, the methods used by places to identify and communicate their attributes and added value constitute a valuable tool for place competitiveness.

In this sense, city managers decided that all competitive advantages of Gold Coast should be effectively communicated. Within the contemporary setting of best place branding practices, the cities of Manchester in the United Kingdom, Palo Alto in California and Shanghai in China were examined. Each of these cities has

unveiled its brand in different ways, but the processes have benchmarked Gold Coast initiative. In order to build and manage a solid image under its attributes and aligned to the specifics of its audiences, place branding consultants highlighted three ways to communicate Gold Coast expressions: primary communication, which included the message based on structural and physical aspects of the city; secondary communication, which included formal information through official channels, as well as publicity and public relations actions; tertiary communication, which refers to word-of-mouth communication leveraged by the media and especially by residents acting as brand ambassadors.

The rebranding communication program was granted AU\$180,000 to leverage new brand attributes. Value included brand development, brand usage guidelines, promotional material, filming and photography, aiming worldwide launch activities. The investment was similar to the launch cost of Melbourne brand in Australia and Auckland in New Zealand, two cities that have also invested in brand repositioning. Gold Coast brand communication program has helped to promote the values and attributes of the city. Visual identity, an important set of place branding actions, is being used in an integrated manner by public administration departments to promote their programs and initiatives. Gold Coast brand has subdivisions for tourism, business, art and culture sectors, each with its own visual identity, maximising the city's brand presence in different promotional activities. Also, branding communication was globally displayed at the Commonwealth Games 2018, the largest sporting event ever held in the city, thus, promoting community feelings, appreciation of the business environment and consolidation of the city as one of the main tourist destinations in the country.

Managing the image of a place requires greater analytical depth. Thus, a study of the negative and positive effects that its dissemination may bring to the sites or communities involved is extremely important. Also, the development of long-term planning that minimises negative effects and even ensures the maintenance of attractions is the main asset in place branding actions. While identity is an emitting concept, which refers to a dynamic phenomenon between the political dimension, the territorial tangibles and the results of socio-economic and technological interactions of people in space, the image is a receiving concept because it reflects the way the public perceives it. In this sense, place branding strategies act on a continuum between the attributes of the territory and the public recognition and interest for these characteristics, that is, on a continuum between the identity and the image of the place.

Discussion

Place branding assertive execution relies on a necessary feature mapping, culture and customs diagnoses and a deep understanding of how these assets can benefit place image. Also, the provision of basic services, infrastructure, superstructure conditions, and the set of positive factors perceived by the main targets must be a priority in the search to position the place competitiveness in the global market. In

this sense, the cost and effectiveness of the place brand management strategy depend on the place image as a function of how different audiences form perceptions about it, so a place must diagnose its competitive identity and design a series of coherent and consistent images to all its audiences. Therefore, place branding actions should consider the tangible and intangible manifestations of its reality, as conveyed through their attributes and attractiveness vectors so that they can be perceived by a wide range of audiences. However, there are inevitable differences in how these elements are perceived by the various markets.

In a competitive global scenario, the city of Gold Coast is increasingly under pressure from growing locations in Southeast Asia and other parts of Australia that are also seeking to diversify their economies. To establish its competitiveness in the global market and ensure a presence that reinforces the competitive attributes of place identity, public managers worked to reposition the city within long-term planning, leveraging its reputation as a place of opportunity where lifestyle surrounded by the natural and built environment is extremely attractive to new markets. In this context, what impacts can be expected on tourism and hospitality industry in Gold Coast once the city is shifting from an established international tourist destination image to a wider variety of audiences and how can residents and local businesses be benefited from this repositioning strategy?

A coherent place branding strategy can strengthen a community's sense of place because it creates alignment between the language and messages created for and by business, community and visitors. The benefits are important for the places that brand themselves successfully. Their assets gain more visibility. Consequently, they are attracting targeted and more investment opportunities, their local resources are identified and may be revealed in the process of place branding into products that, if promoted correctly, would generate growth to that place. In this scenario, does the integrated communication program that is aimed at different targets simultaneously lead to the risk of the message becoming scattered and abstract? Does this communication process generate a non-brand; tasteless, not appealing to any audience? Would the communication message be too similar to other competing locations or oriented only to a particular audience profile, leaving others left behind?

Coupled with the effort to develop models and actions for brand management of places, a major challenge for a location is the coordination of a great number of players that might impact the performance and image of a place. In this context, it is essential to enhance the need for a partnership between the public administration and the private sector along with community forces, including civil society, entrepreneurs, researchers and specialists in the stages of the decision-making process. This alignment may be the key to establish a body for coordinating actions and integrating methods to help prepare places to deal with an uncertain future, caused by changes in variables in the internal and external environments. In this sense, should promoting images of common interest across distinct functional areas focus on a unifying strategy that leads to a shared vision of place? Should efforts and investment be focused on fragmented branding actions to meet different target markets? Would working on building subbrands to support Gold Coast place branding initiatives among its stakeholders be useful?

Conclusion

The story lying on the Gold Coast case presents us with an interesting and appealing way in the repositioning of a place from tourism destination to an entrepreneurial friendly global city with all its complications and problems. Repositioning Gold Coast brings up a discussion on how global integration has shifted cities in the search for their position in an emerging, hierarchy of places. In this sense, the case emphasises place branding as a red thread that goes through everything that happens in and about the place: a story, a narrative, a set of common values and meanings. Most of all, repositioning Gold Coast suggests that place branding should be understood as public policy able to help communities, cities, countries, and destinations distil and articulate their unique strategic positioning and differentiating characteristics.

Appendix 26.1 Additional Readings

Gold Coast official documents

1. Australian Bureau of Statistics – 2013
 2. Benchmarking Report 2015 – Australian Trade Commission
 3. City’s Centre Improvement Program (CIP)
 4. Data Alert 2015 – Australian Trade Commission
 5. Destination Tourism Management Plan 2014 – 2020
 6. Doing Business 2014 – World Bank and International Finance Corporation
 7. Draft City Plan 2015
 8. Economic Development Strategy 2013 – 2023.
 9. Economic and social values of beach recreation on the Gold Coast – 2008
 10. Estimated Resident Population (ERP)
 11. Frequently Asked Questions – City Brand 2013
 12. Gold Coast Brand Story
 13. Gold Coast City Transport Strategy 2031.
 14. Gold Coast Sport Plan 2013-2023
 15. Gold Coast WorkForce – Development Framework 2014 – 2023
 16. National Institute of Economic and Industry Research 2013
 17. National Workforce Development Strategy – 2013
 18. NGCBPS Northern Gold Coast Beach Protection Strategy 1999- 2000
 19. Nature Conservation Strategy 2009-2019
 20. Ocean Beaches Strategy 2013 – 2023
 21. Tourism Research Australia – National Visitor Survey (NVS)/International Visitor Survey (IVS)
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The City of Gold Coast – long-term programs to enhance the city resources in the fields of public administration, urban planning, economic growth, sustainability and tourism. Link: <https://www.goldcoast.qld.gov.au/site-map-74.html>

The Place Brand Observer – the leading library of research and collection of case studies on place branding with lively expert interviews and reflections on the latest trends, ideas and opportunities. Link: <https://placebrandobserver.com/>

Place Branding and Public Diplomacy – pioneering journal focused on the application of marketing, brand strategy techniques and disciplines for the socio-economic, political and cultural development of cities, regions and countries. Link: <https://www.palgrave.com/gp/journal/41254>

Journal of Place Management and Development – this journal brings together research from several areas to advance the understanding of management and development of places in a scenario of economic uncertainty, demographic changes and technological innovation. Link: <https://www.emerald.com/insight/publication/issn/1753-8335>

Teaching Note

Repositioning Gold Coast: A Place Branding Perspective

Case Summary

Repositioning Gold Coast allows learners to reflect on and discuss the global integration of places and the way this phenomenon has shifted cities in the search for their own position in an emerging, hierarchy of places. Place branding encompasses concepts of brand identity and brand image, and these are essential to provide the bases of repositioning in terms of strategic place brand management and offer learners fundamental tools to apply theory in the context of a real case. In this sense, Gold Coast identity and image were described along the case providing substantial information to students, which are expected to develop suitable place brand management analysis and strategies towards effective results within the different city targets. This framework helps conduct a proper achievement and full understanding of outcomes in repositioning Gold Coast and its dilemma.

Teaching and Learning Objectives

1. *Apply concepts of brand identity and brand image for place brand management in the context of a real case.*
2. *Discuss the possible outcomes of repositioning Gold Coast on its different markets and develop suitable strategies to achieve effective communication results.*
3. *Work on building sub-brands to support Gold Coast place branding initiatives among its stakeholders.*

4. *Increase an understanding of place branding as a long-term planning strategy and promote its expansion into broader and diversified fields that can benefit from its knowledge.*

Target Audience

Graduate-level and MBA Students.

Courses: Business and Public Management; Marketing; Branding; Tourism & Hospitality.

Class from 15 to 45 students.

Local Government Officials – may be offered in rounds of seminars and workshops.

Audience Note: Place branding is a multidisciplinary field of investigation, and its contributions include areas of public and private administration; economy; marketing, communication and branding; tourism and hospitality; engineering, architecture, urbanism and sustainability.

Teaching Approach and Strategy

Class 1

Previous case reading is necessary.

Case presentation: outline main topics on the board – Time: 15 min.

(a) *Warm Up Questions* – Time: 25 min.

- How can residents and different local business sectors of the city be influenced and benefit from Gold Coast brand repositioning?
- What are the possible outcomes on the tourism and hospitality industry by shifting the image of Gold Coast brand from a tourist destination spot to a wider variety of targets?

(b) *Role Playing* – Time: 45 min.

One group represents interests related to Gold Coast Tourism and Hospitality Industry – hotels, bars and restaurants, attractions and tourist facilities – and should be in favour of increasing investments on Gold Coast tourism destination branding.

Another group represent interests from other sectors – companies, universities, industries, clusters, retail and services – and should state arguments in favour of increasing investments for repositioning Gold Coast brand so that a wider range of targets may be reached.

(c) *Highlight findings at the end of the class* – Time: 15 min.

Total Class Time: 100 min.

Class 2

(a) *Warm Up Questions* – Time: 15 min

- Should promoting images of common interest across distinct functional areas focus on a unifying strategy that leads to a shared vision of the city?
- Should efforts and investment be focused on branding fragmented actions to meet different target markets?
- Would work on building sub-brands to support Gold Coast place branding initiatives among its stakeholders be useful?

(b) *Group Work*: set **four** teams – Time: 10 min

Each team is responsible for **building a sub-brand** – such as the place of origin and the power of its industrial production – *place of origin branding*; set of companies and their business relations – *cluster branding*; city culture and entertainment offerings – *culture and entertainment branding*; promotion of tourist destination – *destination branding*. It is expected that the Gold Coast brand subdivisions count on its own visual identity, slogan and a set of messages maximising the city's brand presence in different promotional activities.

(c) *Research*: <https://www.goldcoast.qld.gov.au/site-map-74.html>

Items: public and private services; equipment and tourist attractions; economic development and investment attraction programs; urban planning; sustainability, among others.

Teacher Mentoring for groups research – Time: 15–20 min each.

Total Class Time: 100 min.

Class 3

(a) *Group presentation and teachers' feedback* – Time: 100 min

It is expected that each team presents an overview of one Gold Coast brand subdivision, including its own visual identity, slogan and a set of messages maximising the city's brand presence in different media and promotional activities. Place branding initiatives must include evaluating metrics based on the objectives proposed by the programs, examining the possibilities of cooperation among players to achieve common goals. The sub-brand building should list key components for each activity, including a matrix of responsibilities, ways of operating and implementing action plans, operating costs and execution schedules. Over time, it is hoped that the new brand can be used by businesses and other local institutions to generate a broader cultural change and not just in the public administration sectors.

Analysis – Sample Answers

Class 1

Warm Up Questions and Role Playing

Reasons not to shift:

- Brand repositioning seeks to build a reputation of a continually growing economy and opportunity environment, shifting from an established international tourist destination image and reducing its dependency relationship with the city of Brisbane, the capital of Queensland. However, the Gold Coast is considered one of Australia's most popular tourist destinations and the fourth largest tourism economy in the country. With an international airport, a wide range of hospitality and attractions, the city receives an average of over 11 million leisure and business visitors each year.
- The decrease in visitation has been observed in three of Gold Coast's largest markets – New Zealand, Japan and the United Kingdom. Even so, international tourism increased by about 35% between 2010 and 2020, driven by strong growth in Asian markets.
- Destination Tourism Management Plan set the goal to increase the length of stay and average visitor spending through a broader and more varied range of products and experiences. These will contribute significantly to the local economy. In addition, another major contributor to the program will be the increase in international visitors, maintaining market share in traditional international markets in Europe, Japan and New Zealand and ensuring higher growth rates in Southeast Asia, China and emerging markets like India.

Reasons to shift:

- Industry growth over the past years in value-added terms has resulted in a change in the economic structure of the place, where, although important and traditional, the manufacturing, construction, tourism and hospitality sectors have declined, while health, education and other professional services sectors are increasing their contribution each year.
- The provision of retail services and the solid tourism market has resulted in overconfidence in generating growth in the economy. However, the cyclical nature of these industries has left the city vulnerable due to the influence of external variables over the years.
- It is intrinsic to the concept of place branding the need to shape a strategic vision to meet challenges through market-driven planning. Places need to diversify their economic and develop mechanisms to adapt flexibility to conditions, fostering and cultivating entrepreneurial characteristics, including greater private sector participation. All competitive advantages of a place must be effectively communicated to build and manage a solid image that is in accordance with its attributes and aligned to the specifics of its audiences.

Class 2 and Class 3

Warm Up Questions and Group Work: mentoring and presentation feedback

- The sub-brand should be anchored in the core brand, present its competitive identity and project a series of coherent and consistent images for its audiences.
- The brand should enable the city to achieve competitive value, greater projection and notoriety, better conditions for setting strategic partnerships, capitalisation of investments, increased protection against competition and power of supply.
- Programs must consider the tangible and intangible manifestations of their reality, as conveyed through their attributes and attractiveness vectors so that they can be perceived by a wide range of audiences. However, there are differences in how these elements are perceived across them.
- Promoting images of common interest across distinct functional areas should focus efforts on a unifying strategy that leads to a shared vision of place rather than fragmented actions that disperse investments.
- Communication axis that interests different target markets simultaneously leads to the risk of the message become scattered and abstract, which corresponds to a non-brand.

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Correction to: Hotel Revenue Management Strategy – Impacts and Consequences of Changes in Management



Antoine J. Bisson

Correction to:
Chapter 9 in: M. Sigala et al. (eds.), *Case Based Research in Tourism, Travel, Hospitality and Events*,
https://doi.org/10.1007/978-981-16-4671-3_9

The book was inadvertently published with an incorrect initial in author name as J. Bisson A. whereas it should be Bisson A.J. in online citation of the chapter. The correct citation has been updated.

The updated version of this chapter can be found at
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Index

A

Action plans, 110, 247, 248, 250, 392, 446, 457, 458, 486, 496
Advertising, 257, 258, 261–271, 311, 322, 330, 335, 431, 454, 455
Advertising campaign, 256, 262, 267, 268, 270, 370
Airports, 40, 41, 145, 187, 188, 281, 300, 301, 362–364, 369, 370, 376, 379, 381, 383, 387, 389, 390, 392–395, 403, 484, 497
Air transport, 361, 379–395
Analyses, 5, 7, 31, 33, 49, 53, 54, 69, 73, 94, 97, 98, 121, 129, 157, 165, 166, 176–179, 190, 191, 196, 212, 220, 225–227, 229, 231, 232, 238, 240, 241, 250, 256, 257, 259–262, 265, 268, 270, 289, 296, 315, 322, 335–337, 347, 350, 351, 373, 374, 392, 395, 406–408, 410, 422, 438–439, 452, 485, 486, 489, 494, 497–498
Attractions, 17, 26, 34, 70, 120, 123, 136, 140, 141, 149, 221, 223–225, 227, 228, 230, 231, 309, 385, 402, 403, 409, 410, 422, 432, 446, 447, 451, 454, 484, 489, 491, 495–497
Authentic travel experiences, 321
Aviation, 360–363, 369, 372, 379, 381–383, 390, 392

B

Benchmarking, vi, 161, 182, 184, 493
Boom, 73–89, 205, 210, 213, 214, 384, 468, 469, 471
Boutique accommodation, 54

Branding, 5, 62, 220, 227, 229–231, 234, 260, 268, 270, 327, 329–335, 337, 475, 485, 486, 491, 492, 495, 496
Brand management, 485, 486, 490, 492, 494
Brand positioning, 370
Bushfire recovery, 69, 422, 429–431, 434
Bushfires, v, 59, 65–70, 421–423, 427–431, 433, 434, 436, 438
Business level strategies, 365, 368–373, 375
Business model canvas, 94, 97, 98, 109–113
Business parks, 302, 303
Business planning, 69, 296, 314, 315

C

Centralised revenue management, 157, 158, 160, 161
Civic events, 57–59, 62, 65–68, 70
Climate change, 136, 140, 146, 147, 150, 203, 414, 429, 431, 439, 489
Clusters, 486, 487, 495, 496
Co-creation, 29, 31, 32, 38, 39, 49–52, 55, 57, 58, 67–70, 132, 209
Commercial airlines, 381–384, 392, 394
Communication programs, 491, 492
Community engagement, 487
Competitive advantages, 29–32, 34, 50, 95, 249, 296, 314–316, 321, 328, 365, 369, 384, 490, 497
Competitive brand identity, 488
Competitive strategies, 296, 315, 365, 369
Conferences, 19, 78, 79, 81, 82, 296–316, 430
Consumer neuroscience, 257–261, 263, 265, 266, 268, 269, 271–273
Corporate level strategies, 365, 375

- Cosmopolitanism, 464–479
- Cost containment, 347, 349, 351
- COVID-19, v, 14, 15, 28, 30, 94–107,
109–112, 173, 380, 382, 384, 385,
389–391, 394, 411, 434
- Crisis management, 86, 426
- Cross cultural communication, 74, 76,
78, 84, 86
- Cross culture, 74, 76, 78, 84, 86–88
- Cultures, 14, 16, 19, 21, 27, 29, 31, 32, 34, 39,
46, 76, 77, 88, 89, 96, 151, 158, 171,
175, 177, 204, 246, 258, 290, 409, 410,
415, 465, 472, 478, 485, 487,
489–491, 496
- Custom, 62, 470, 491
- Customer satisfaction, 14, 34, 59, 64, 88, 182,
194, 238, 241, 249, 330
- D**
- Data driven decision, 349–351
- Destination, v, vi, 7, 14–16, 30–32, 34, 75, 95,
107, 109, 135, 136, 138, 140, 143, 144,
146–151, 172, 173, 203–206, 208–210,
212, 213, 219–234, 279–285, 288, 289,
291, 292, 335, 359, 362, 363, 369–371,
379, 385, 402, 410, 412, 421, 423, 431,
432, 434, 435, 437–439, 444–448,
450–452, 454, 457, 458, 465, 466, 469,
470, 484–486, 493, 495–497
management, 32, 221, 230, 231, 280, 282,
423, 434, 437, 439, 444, 458
travel, 75, 140, 402
- Destination Management Organization
(DMO), 444–446, 448, 449, 456–459
- Digital marketing, 220, 221, 228, 232, 334
- Digital tourists, 220, 221, 229, 230
- Dining experiences, 23, 94, 96, 101, 104, 105,
110, 136
- Distribution channels, 163, 328, 329, 333–334,
336, 347, 349, 353, 380, 384, 391, 392,
430, 435
- Diversified economy, 483, 487, 490
- E**
- E-commerce, 210, 267
- Economies, 58, 59, 66, 78, 95, 136, 137, 141,
150, 173, 204, 212, 222, 281, 282, 292,
335, 369–371, 375, 379, 383, 393, 402,
403, 409, 410, 434, 443, 466, 468–471,
475, 483, 484, 487, 488, 490, 492,
495, 497
- Empirical research, 490
- Energy efficiency, 146, 205, 207, 212
- Environmental, 25, 29, 31, 65, 150, 175, 187,
203–205, 208, 281–283, 285, 287, 289,
371, 380, 395, 404, 406, 411, 416, 444,
447, 449, 450, 454, 455, 459,
485, 488–490
- Ethical decision making, 176, 439
- Event management, 458
- Events, v, vi, 4–8, 16, 17, 23, 24, 26, 28, 53,
57–71, 84, 87, 95, 139, 141, 142, 146,
149, 160, 162, 227, 228, 241, 311, 313,
329, 330, 334, 360–363, 365, 373, 374,
379, 392, 414, 422–424, 426–431,
433, 435, 436, 438,
443–460, 491
- Experience design, 14, 17, 22, 23, 31, 52, 68
- Experiences, vi, 6, 7, 13–35, 37–55, 57–71,
75, 78, 81, 82, 86–89, 94, 96, 98, 101,
103, 105, 109, 118, 120–122, 124–129,
131, 135, 138, 145, 149–151, 157, 174,
176, 182, 187, 189, 208–214, 220, 223,
225–227, 229, 238, 242, 244, 250, 256,
258, 268, 270, 280, 281, 286, 292, 309,
321, 326, 332, 360, 361, 369–371, 376,
384, 402, 421, 428, 433–435, 439, 448,
464, 471–473, 475, 477, 478, 484, 486,
487, 497
- F**
- Financial statement analysis, 347, 351, 352
- Fine dining, 19, 20, 107, 111, 475
- Fireworks, 57–70, 473
- Five-star hotel, 119, 121, 124–132, 182,
187, 194
- Food and beverage, 46, 60, 111, 119, 122, 124,
157, 241, 296, 315, 347, 352, 355
- Frontline employees, 238, 241
- G**
- Gastronomy, 16, 94, 100, 101, 109, 322
- Global airlines, 184, 359–376
- Global distribution systems (GDS), 322, 324,
328, 329, 334, 384, 385, 387–389,
393, 394
- Global restaurant sector, 95, 97
- Guest experiences, 37–55, 121, 125, 127, 128,
146, 315
- Guest journey, 37, 42, 50, 52, 53
- Guest service agents (GSAs), 119, 121,
122, 125

H

- Health and safety, 96, 98, 102
- High-end restaurants, 94–107, 109–112
- Hospitality, v, vi, 4–6, 8, 22, 28, 30, 32, 37, 49, 50, 58, 59, 65–70, 74, 78, 81, 86, 95, 96, 110, 117, 118, 123, 125–128, 130–132, 136, 144, 163, 171–179, 186, 187, 195, 213, 237, 246–248, 250, 251, 268, 293, 296, 303, 320, 321, 337, 343–356, 387, 435, 448, 458, 484, 485, 488, 492, 495, 497
 - asset management, 343–350
 - industry, 50, 95, 246, 247, 345, 346, 387, 492, 495
- Hotel information systems (HIS), 237, 238, 242–244, 246–251
- Hotels, 7, 38, 62, 73, 118, 137, 155, 172, 181, 213, 237, 256, 313, 320, 343, 361, 385, 411, 428, 444, 466, 495
 - classification systems, 181–197
 - managements, 131, 157, 158, 161, 164, 333
 - marketing, 320–340
 - occupancy, 74, 80, 172, 173, 352
 - profitability, 345, 349
 - ratings, 185–188, 194–196
- Human resource management, 69, 75, 81, 84, 86, 88, 89

I

- Images, 14, 19, 22, 27, 29, 30, 32, 52, 193, 194, 197, 227, 262–264, 291, 323, 324, 334, 363, 364, 371, 405, 407, 412, 428, 429, 439, 469, 485–487, 490–492, 494–498
- Implementation strategies, 288
- Indigenous, 94, 406, 408–411, 415
- Industry regulators, 389, 391
- Innovations, 15, 79, 98, 107, 110, 111, 151, 197, 204, 207, 388, 395, 485
- Innovation technology, 207
- Interpersonal communication, 119, 126–128, 131
- Inventory controls, 158, 162, 385
- Investments, 15, 99, 137, 139, 140, 146, 149, 187, 270, 292, 296, 314, 315, 331, 343, 345, 350, 362, 370, 371, 374, 402, 447, 456, 467–469, 471, 478, 484–492, 495, 496, 498

K

- Key performance indicators (KPI), 137, 161, 162, 166, 256, 345, 346, 350, 351, 353

L

- Labour intensive, 259, 265, 271
- Lifestyles, 16, 24, 27, 54, 137, 187, 204, 212, 320, 334, 464, 466, 473, 474, 484, 485, 489, 492
- Lived experiences, 31, 38, 49
- Locals, v, 14–16, 19, 23, 48, 58, 59, 62, 63, 65–67, 70, 71, 75, 77, 78, 81, 82, 89, 94, 95, 98, 100, 101, 109, 110, 136, 139, 145, 149, 150, 156, 157, 163, 173, 177, 187, 213, 222, 227, 228, 260, 280–282, 291, 292, 297, 300, 303, 305, 310, 311, 313, 362, 363, 385, 387, 388, 394, 403, 404, 406, 409, 410, 413, 415, 423, 424, 427–429, 431–434, 436, 438, 439, 443–460, 465, 468–471, 477–479, 483–490, 492, 495–497
- Long term planning, 485, 491, 492, 495
- Luxury accommodation, 38, 49, 50, 53, 54, 475
- Luxury lodge, 38, 42, 50

M

- Mandatory systems, 237–251
- Marketing, 5, 15, 65, 77, 157, 173, 184, 202, 220, 247, 280, 296, 321, 345, 364, 384, 411, 426, 446, 495
 - agencies, 257, 258, 266–268, 431
 - consortia, 320–340
 - consultancies, 256, 260–262, 266, 268–270
 - managers, 256
- Market performance, 155, 345, 347, 349–351, 353–356
- Market research, 257–262, 266–268, 270, 271
- Mixed strategies, 166
- Moral dilemmas, 175

N

- Neuroscience, 256, 258, 265, 267, 270, 271

O

- Online ratings, 120, 194
- Operations management, 135–151, 345, 352
- Opportunity assessment, 296–314
- Organisational learning, 324–326, 328, 338
- Outdoor recreation, 225
- Outsourcing, 158, 166, 167, 171–179, 257, 382
- Overcrowding, 402, 409, 411
- Over diversification, 374

P

Place branding, 483–498
 Political, economic, social/cultural,
 technological, environmental, legal
 (PESTEL), 289, 380, 392, 395
 Power distance, 76, 78
 Preparedness, 422, 425–427, 433–438
 Prevention, 362, 424–427, 434–438
 Pricing system, 162
 Professionals, 5–7, 30, 37, 65, 68, 76, 83, 132,
 148, 149, 173, 211, 213, 214, 250, 271,
 333, 373, 388, 412, 431, 443–460, 488,
 489, 497
 Promotions, 94, 107, 109, 111, 173, 207, 229,
 230, 234, 256, 280, 290, 324, 328–331,
 338, 448, 455, 456, 486, 490, 496
 Property management system (PMS), 157,
 237, 238, 241, 250, 330
 Public relations, 173, 285, 322, 330, 331, 333,
 334, 414, 422, 491

Q

Qualifications, 130, 204, 242, 488

R

Recreate, 96, 432
 Repositioning, 45, 483–498
 Research development, 449
 Resorts, 7, 135–151, 162, 163, 172, 213, 214,
 223, 231, 237–251, 256, 257, 261, 262,
 265, 266, 268, 269, 322, 328, 329, 332,
 409–411, 447, 464, 466, 468, 469, 475
 Restaurants, 7, 18–20, 26, 44, 45, 47, 94–96,
 99–107, 109–112, 120, 121, 123–125,
 151, 157, 160, 174, 185, 186, 189, 192,
 223, 224, 228, 237, 241, 245, 302, 309,
 330, 331, 444, 470, 472, 475, 478, 495
 Retail travel agents, 384, 385
 Revenue management (RM), 155–167, 345,
 346, 352
 Revenue per available room (RevPAR), 80,
 137, 141, 143, 159–162, 166, 346, 347,
 353, 354
 Revenue streams, 97, 107, 136, 347
 Rural tourism, 465–466, 477

S

Sea and sun, 136, 138, 207, 445
 Seasonality, 136, 203, 443–460
 Segmentation, 111, 158, 220, 223, 231, 256,
 345, 346, 349

Selfie tourism, 401
 Senior citizens, 446
 Sense of place, 492
 Service, 5, 26, 41, 58, 96, 117, 135, 157, 172,
 182, 202, 228, 237, 256, 292, 296,
 320, 345, 360, 379, 403, 428, 448,
 470, 484
 blueprints, 49, 50, 52, 53
 employees, 117–122, 125–128, 131
 language, 117–132
 offerings, 58, 67, 385
 organisations, 127, 132
 quality, 28, 29, 117, 122, 127, 131, 132,
 181–197, 237, 238, 359, 369, 370
 Servicescapes, 13–35, 51–53, 144
 Ski tourism, 464, 467
 Small-scale events, 443, 446, 449, 451,
 452, 457
 Smart cities, 202–205, 207–213
 Smart tourism destinations (STDs), 202–214
 Social commitment, 173
 Social environment, 470
 Social Exchange Theory (SET), 220, 221, 225,
 228–231, 234, 346
 Social media, 21, 33, 65–67, 83, 98, 103, 110,
 185, 219–234, 321, 330, 335, 401, 402,
 405–409, 412–415, 423, 429, 431, 433,
 438, 459
 Societies, 175, 204, 212, 261, 412, 446,
 464, 492
 Socio-cultural change, 464
 Socio-economic, 136, 148, 149, 220, 484–486,
 488, 491, 494
 Soft brands, 333
 Spoken communication, 117, 118, 120, 122,
 125, 127–129, 131, 132
 Staffing, 160, 173, 433, 435
 Staff turnover, 81, 88, 296
 Stakeholders, 5, 16, 58, 60, 62, 67, 69, 70, 94,
 109, 136, 147, 148, 150, 151, 159, 172,
 176–179, 185, 227, 228, 280, 281, 286,
 288, 289, 292, 337, 373, 379–395, 412,
 422–424, 426, 428, 429, 431, 432,
 434–439, 444, 446, 448, 455, 457–459,
 489, 492, 494, 496
 Strategic collaborative partnerships, 324, 325
 Strategic management, 7, 296, 311, 314, 315,
 336, 337, 373, 374, 391, 392
 Strategic thinking, 220, 314, 315
 Strategy, 7, 29, 51, 62, 74, 107, 127, 156, 171,
 182, 209, 220, 250, 280, 305, 321, 351,
 360, 392, 416, 437, 445, 477, 485
 change, 361, 372

- Strengths, Weaknesses, Opportunities, and Threats (SWOT), 69, 220, 227, 229, 232, 296, 337
- Suburban tourism, 219–234
- Sustainability, 25, 29, 65, 69, 71, 140, 146, 205, 208, 210–214, 280, 282, 284, 286–289, 293, 402, 406, 409, 410, 413–416, 447, 449, 450, 454, 455, 457–459, 484, 488, 494–496
- Sustainable development, 95, 148, 204, 286, 411, 414, 448, 489
- T**
- Takeaway, 99–102
- Technological innovation, 494
- Tourism, 4, 14, 58, 74, 95, 128, 136, 171, 186, 202, 219, 250, 257, 280, 296, 323, 344, 361, 379, 401, 421, 443, 464, 483
 development, 292, 448, 451, 452, 455, 464, 465, 469, 470, 476, 478, 479
 markets, 14, 467, 470, 484, 497
 resilience
 resorts, 136–138, 144, 146, 148, 149
 services, 384
 spaces, 227, 464, 465, 470–472, 476, 477
- Tourist, 17, 70, 120, 140, 172, 202, 219, 268, 280, 303, 384, 402, 422, 444, 464, 484
 destinations, 202, 204–206, 208–214, 219, 268, 303, 412, 413, 444, 445, 484–486, 490–492, 495–497
 infrastructure, 444
- Tour operators, 136, 187, 285, 288, 290, 292, 293, 323, 328, 338, 361, 365, 385
- V**
- Values, 16–19, 21, 22, 24, 27, 29, 32, 34, 40, 49, 54, 62, 69, 77, 97, 101, 107, 109–111, 150, 177, 204, 260, 262, 268, 279–292, 321, 322, 326, 328, 331, 332, 336, 337, 344, 345, 349–351, 364, 369, 375, 383, 384, 403, 412, 464, 473, 475, 486–488, 490, 491, 493, 498
- Virtual teams, 77, 86
- Visibility, 163, 299, 322, 327, 329, 338, 401, 427, 492
- W**
- Websites, 33, 98, 104, 112, 185, 189, 197, 227, 256–258, 261–271, 297, 313, 316, 322, 323, 329, 330, 334, 384, 385, 389, 429–431, 435, 438, 459
- Workflow, 238–240, 242–247, 249, 250