



TOURISM STRATEGY

GTDM

(Notes adapted from Tribe 2010)



What is Strategy and why is it important ?

What is Strategy?

○ Strategy is widely used in the tourism industry.....



○ Strategy is: 

- “Strategy is the direction and scope of an organisation over the long term. Which achieves advantage in a changing environment”
[Johnson et al 2008 p3]
- “A pattern or plan that integrates an organisation’s major goals, policies, and action sequences into a cohesive whole”
[Mintzberg 1998 p5]



Strategy Involves - - - - the 5 Ps.



PLAN, PLOY, PATTERN, POSITION,
PERSPECTIVE.

[Mintzberg 1998]

The Importance of Strategy -



- Avoids Business 'Drift' / Product Focus Deviation.
- Survives Turbulent Environments / Industry Instability.....
- Avoids Organisational Fragmentation
- Provides Co-ordination / Collaboration Opportunities.

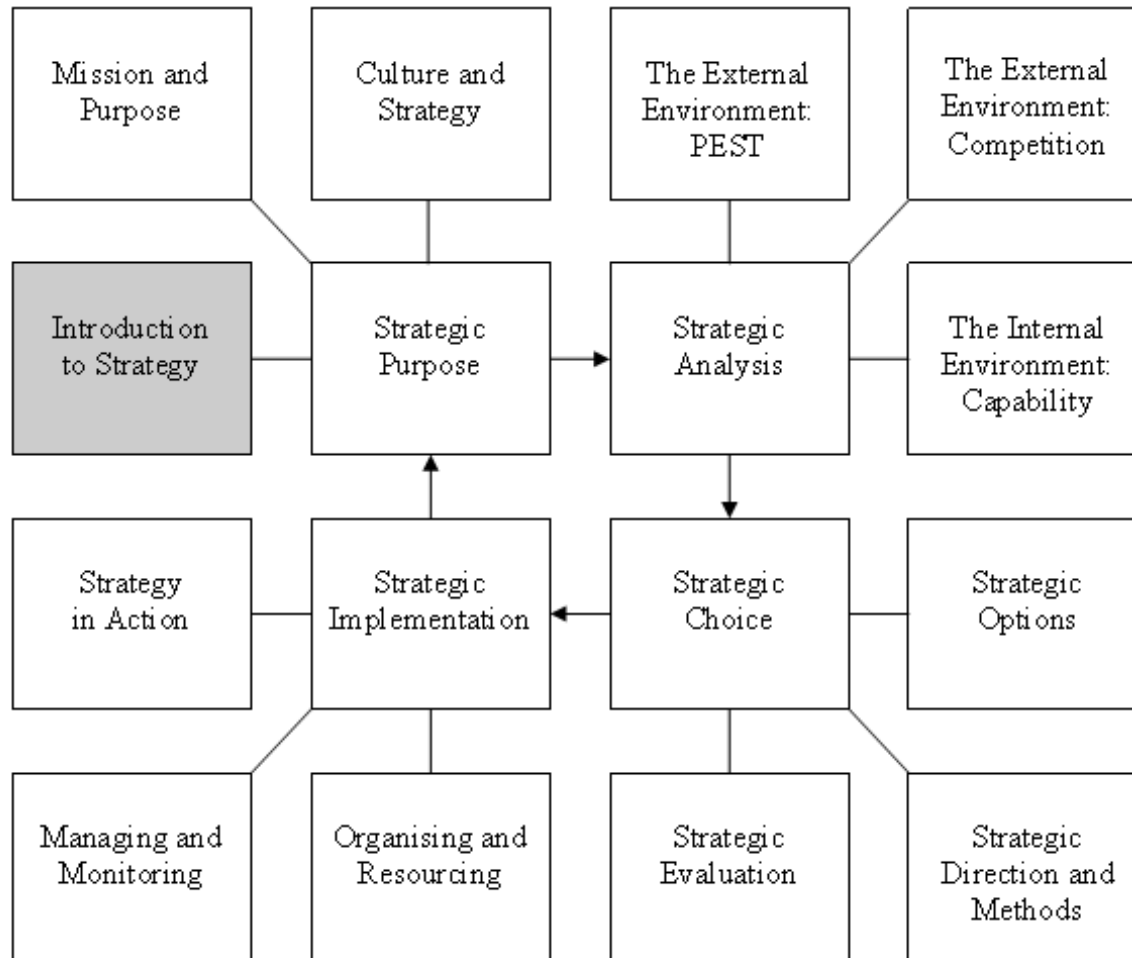
What Does Strategy Cover?



○ Four key component parts of the strategic process:



- Strategic Purpose
- Strategic Analysis
- Strategic Choice
- Strategic Implementation



Strategic Planning: The Elements



○ There are four key elements of corporate strategy:



- Strategic purpose
- Strategic analysis
- Strategic choice, and,
- Strategic implementation

Strategic Purpose



- This is often defined by an organisation's mission which includes:
 - what the organisation is trying to achieve
 - what its purpose or aim is
 - where it is trying to head for in the medium to long term.
- Mission is influenced by
 - stakeholders
 - culture
 - nature of business

Strategic Analysis



- This involves consideration of the major influences upon the organisation's success in terms of:
 - Resources (capability), and
 - Operating environment

- Strategic analysis is concerned with analysing
 - the strengths and weaknesses of an organisation's internal resources and
 - the opportunities and threats posed by its external operating environment.

Strategic Choice



○ This is concerned with:

- generation of strategic options
- evaluation of strategic options
- and
- selection of strategy

Strategic Implementation



○ This is concerned with:

- resource planning
- organisational structure
- logistics and implementation timetable
- timetable for implementation
- monitoring and review

What Must Strategy Involve?



○ A strategy needs to address the following questions:

- Where are we trying to go?
- How can we get there?
- How do we know if we have got there?

Strategy is the planning of an organisation's successful future and the design and testing of suitable ways to achieve this.

Characteristics of Strategic Decisions



○ Characteristics should be:

- Complex rather than simple
 - Integrated rather than isolated
 - Long term rather than short term
 - Proactive rather than reactive
 - Impact on the whole rather than part of the organisation
 - Involve major rather than minor change
 - Involve grand design rather than marginal tinkering
 - Made by those in positions of power in the organisation rather than subordinates
- [Tribe 2010]

Utilisation of Tourism Strategies:



- Tourism Profit-making organisations
- NGOs
- Government Organisations
- NTOs
- Destinations
- Master Plans
- Specific goals – e.g. climate change
- Mega projects and Events

Tourism Strategy helps to:

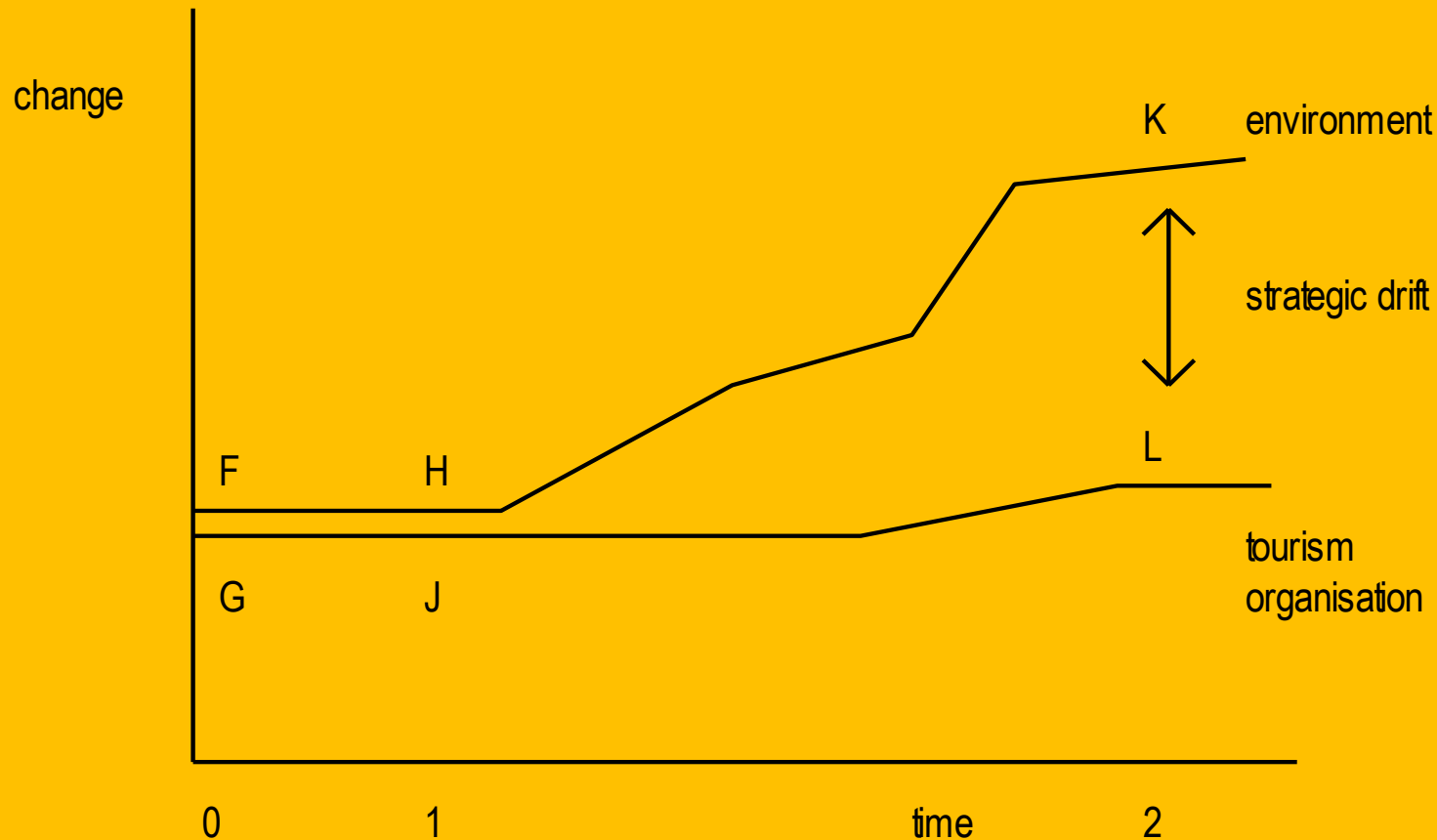


**“Plan
and
Manage”**

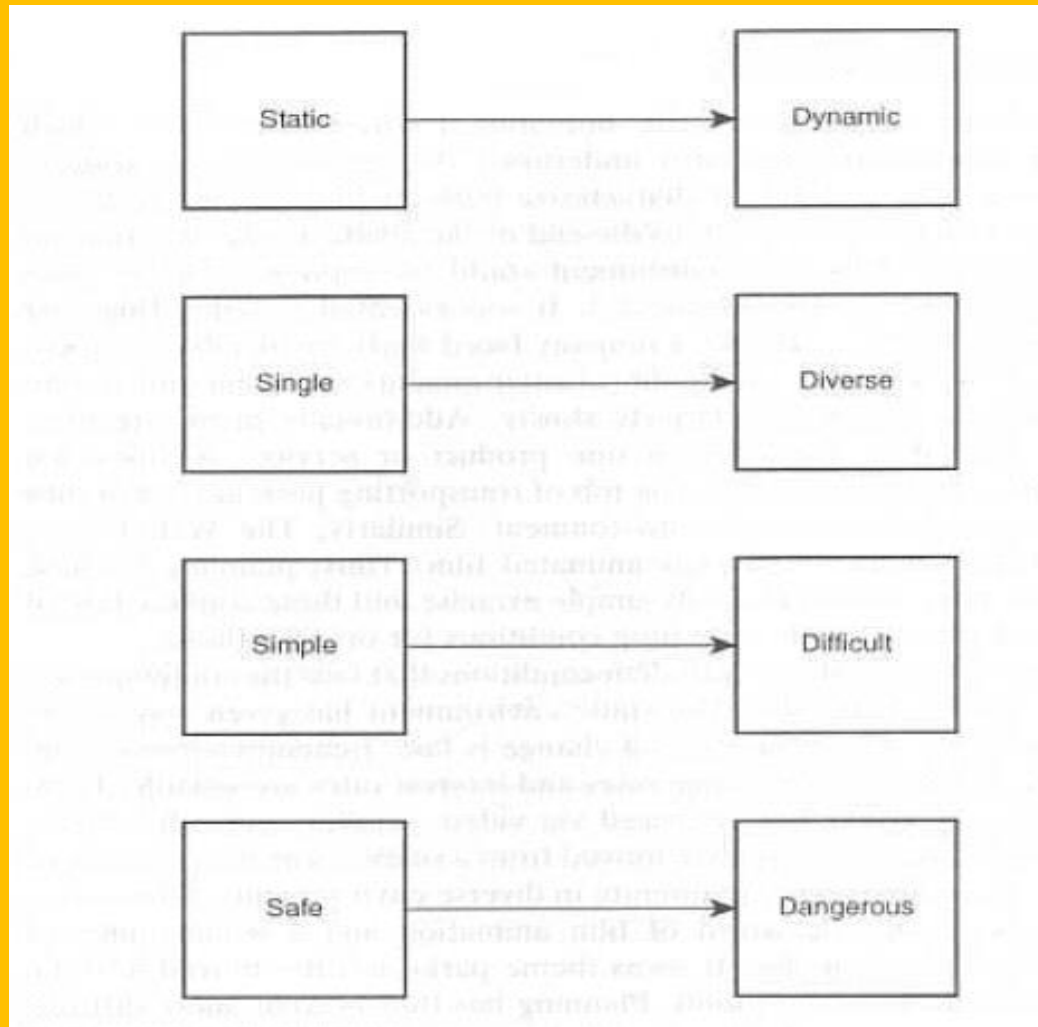
the industry

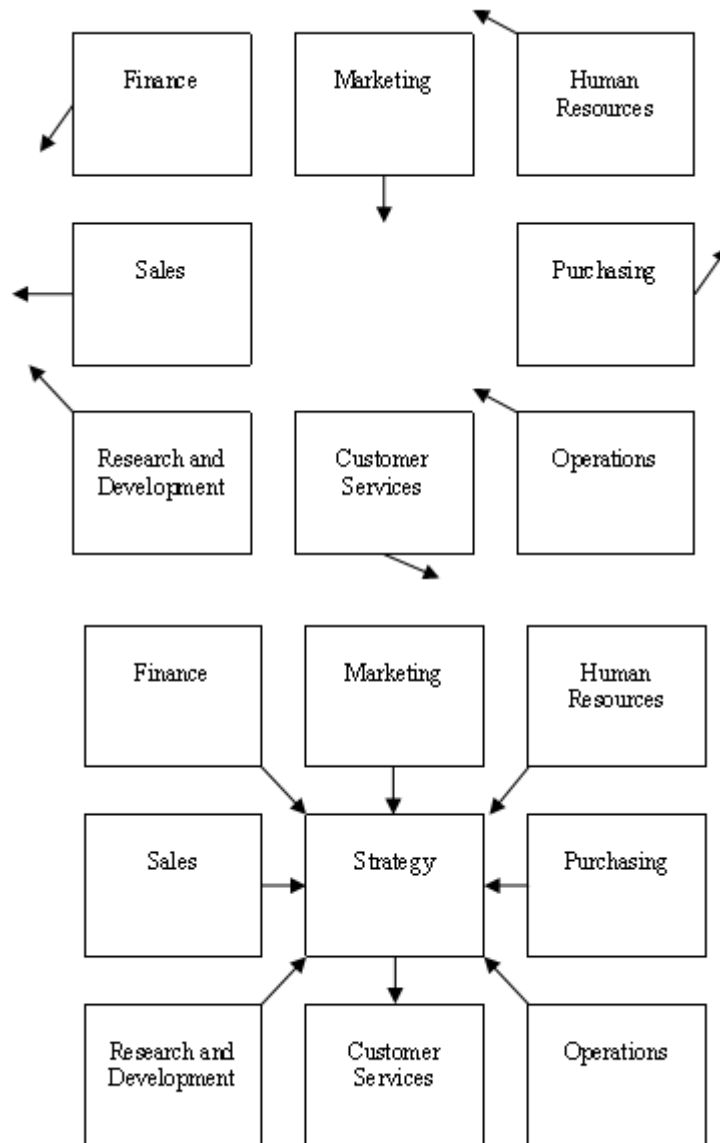
[and avert problems]

PROBLEMS : Avoid Strategic Drift



PROBLEMS: Survive Turbulent Environments





PROBLEMS:
Avoid
Organisational
Fragmentation

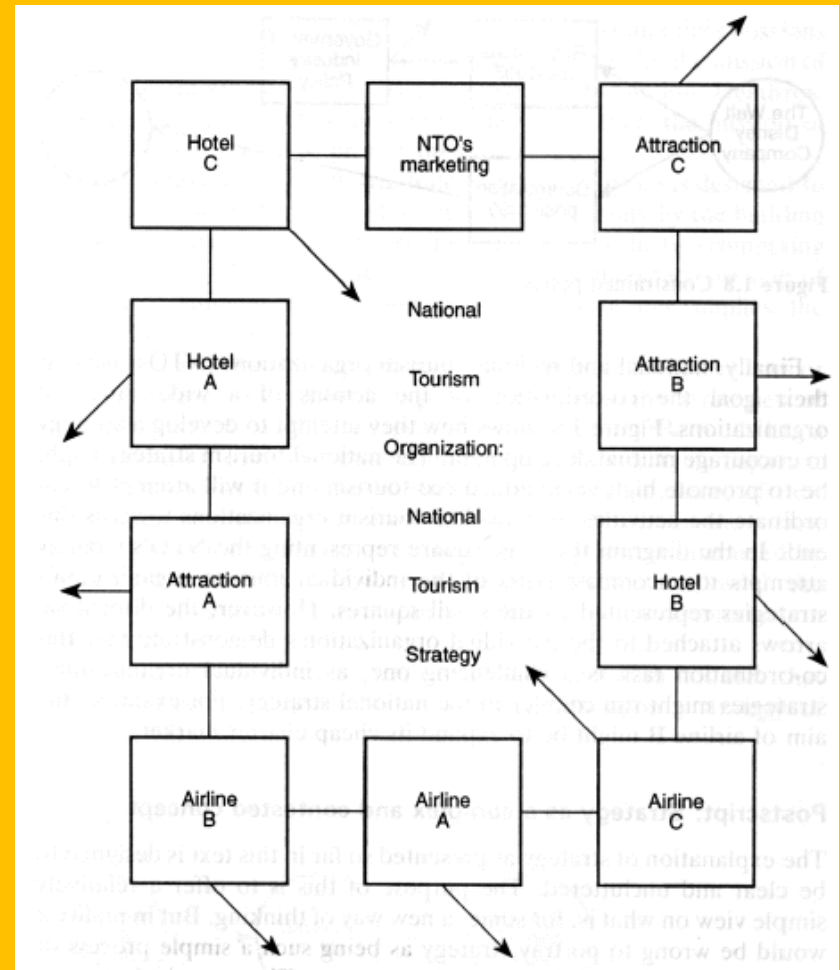


What Specific Strategies are Used in Tourism?

Co-ordination Strategy



- A national, regional or local tourism strategy often works to co-ordinate all the disparate players in the tourism economy



Porter's Generic Strategies



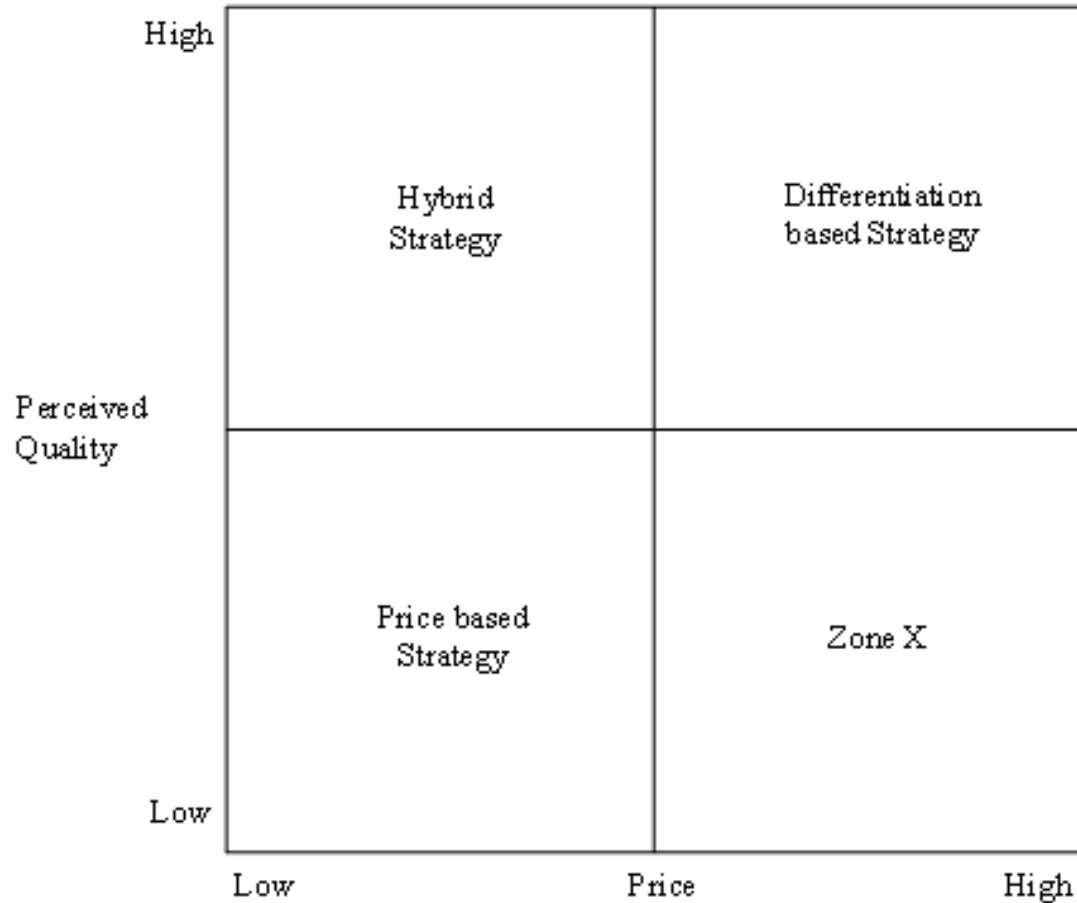
- A generic strategy is a strategy of a particular type or form designed to promote a lasting competitive advantage for an organisation.
- Porter (1980) identified three generic strategies that organisations could use to achieve competitive advantage.
- Porter's generic strategies are
 - Cost Leadership
 - Differentiation,
and
 - Focus

Cost Leadership Strategy



- This strategy involves an organisation becoming the lowest cost provider in an industry.
- Porter's logic for this strategy, is that if a firm can charge industry-average prices, but sustains below industry-average costs it will be an above average performer.

Price / Quality Matrix



Price-Based Strategy



- Price-based strategy is similar to cost leadership, but emphasises the fact that low costs are passed on to the customer in the form of lower prices.
- Eg. Low Cost Airlines - - -Optional Extras Removed !
Standardised Products.

Price Based Strategies



- McDonald's restaurants: Its use of standardized products and processes, self service, self clearing up, large economies of scale = = = = are key factors enabling low prices.
- Cheap Package Holidays: Holidays that cut costs all along the value chain. Internet sales reduce distribution costs. The use of charter flights with high load factors, night flights and secondary airports, together with coach transfers reduce transport costs. High density, no frills hotels in mass tourism destinations and bulk buying power reduce accommodation costs. Vertical integration along the supply chain reduces “middleman” costs.

Differentiation-Based Strategies



This is similar to Porter's differentiation strategy, but with an emphasis on providing EXTRA qualities which are valued by the consumer. This value added may be provided by:

- Design (Differing over competitors)
- Exploitation of the value chain
- Advertising

Differentiation Based Strategies



- 7* Hotels e.g. The Burj Al Arab in Dubai, United Arab Emirates = chauffeur driven Rolls Royces, discreet in-suite check in, private reception desks and a private butler service.
- St Moritz, Switzerland: Up-market exclusive image and appeal to the luxury end of the market. Popularity amongst celebrities, helps to sustain its elite and glamorous reputation.
- Little Nell : Luxury quality, personalized and individual service, small scale, focus on detail – numerous sommeliers, unique guest experience.....
- The Michelin Star rating of restaurants can provide a distinctive marker of differentiation.

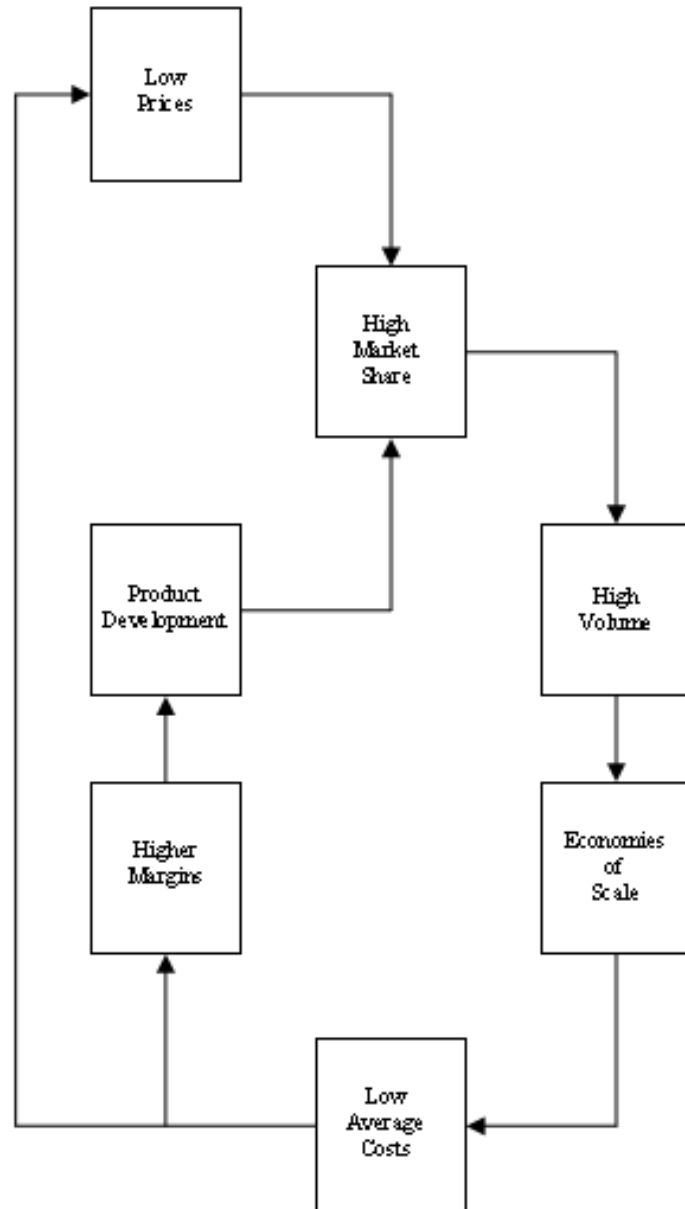
Hybrid Strategies



- A hybrid strategy = an attempt to provide quality products and services at low prices.



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Route to Hybrid Strategies

Focus Strategy



○ A focus strategy occurs where strategy is tailored towards a particular market segment rather than to the whole market and may take the form of cost focus or differentiation focus.

EG: PRODUCT SEGMENTATION

- i) Spain - - 1960s+ - Tailored towards the Mass Market.
- ii) Qantas offers four different classes of travel – Economy, Premium Economy, Business Class and First Class.

Poon's Strategy



○ Poon identifies four principles for an effective tourism strategy:

- Being A Leader In Quality Provision.
- Developing Innovative Products / Services
- Putting Customers' Needs First.
- Strengthening An Organisational Strategic Positioning.

Strategy is KEY to Sustaining Market Positioning.



- Becoming the industry leader.
- Protecting invention and innovation.
- Maintaining leadership through innovation.
- Ensuring competition is less.
- Creating financial efficiency and effectiveness.
- Revolutionising the business model.
-

Strategic Tourism Management



- Tourism Managers (Public / Private / Voluntary) NEED to be PROACTIVE in the industry as opposed to REACTIVE!
- Developing the product and also considering the importance of collaboration / Partnership
 - Industry and Locals!
- Considering the industry competition and regularly evaluating their position!
- This can be aided by SWOT and PEST Analysis.

Consideration of SWOT as part of Strategy



S = Strengths

W = Weaknesses

O = Opportunities

T = Threats

Consideration of PEST as part of Strategy



P = Political

E = Economic

S = Social

T= Technology

POLITICAL Impacts on Tourism = Opportunities and Threats in the Changing Political Environment .

- Competition policy
- Health and safety
- Transport and infrastructure
- Global carbon agreements and targets
- Taxation and spending plans
- Disability and access legislation
- Foreign policy
- Visa policy and home security
- Regulation and deregulation
- Regeneration plans
- Employment and training policy
- Travel advisories
- Minimum wages

ECONOMIC Impacts on Tourism = Opportunities and Threats in the Economic Environment



Opportunities	Threats
Low interest rates	High interest rates
Low unemployment	High unemployment
High consumer expenditure	Low consumer expenditure
Low oil and other commodity prices	High oil and other commodity prices
Low Taxes	High Taxes
Favorable exchange rate	Unfavorable exchange rate
Stable prices	Inflation
Optimistic expectations	Pessimistic Expectations

SOCIAL Impacts on Tourism =

The sociocultural environment

Factors in the socio-cultural environment that influence the tourism industry include:

- Size and structure of the population
- Lifestyles and inter-cultural differences
- Factors (including attitudes and values about travel, availability of paid leave and unemployment)
- Tourist Motivations

TECHNOLOGY Impacts on Tourism = The Technological Environment

○ The technological environment offers both opportunities and threats:

- Opportunities may be found in cheaper provision, or improvements in goods and services, in better marketing or easier distribution.
- However technology may result in an organisation's product or service becoming obsolete, or subject to new forms of competition.



Strategy is a significant AND important area for the successful development of the tourism industry - - - Applicable to a: *Region, Country, City, Attraction, Resort, Product.....*

QUESTION: ?

Consider ways in which 'diverse' Strategy can be effectively implemented within a CASE STUDY region..... (By Considering this task, it will specifically help you with the second assignment..)