

The uk tourism industry: benefits and challenges



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This report provides a product and market development strategy for the UK tourism industry. It focuses on the benefits and challenges of the UK tourism industry. The background history of UK and the overview of the scope are revealed in this study. It also outlines the vision, mission and its strategic objectives. The report highlights a summary of the key findings of strategic marketing audit of the UK tourism sector. The findings of the report are used to develop a strategy for increasing the economic benefits of tourism to UK. The strategy for overcoming the challenges in order to increase the number of individuals visiting UK for tourism is disclosed in this report. The report concludes by making strategic recommendations for areas of growth in tourism activities in UK, development of products and resources needed to ensure viability. More so, significant barriers to implementing those recommendations are identified throughout the report to address the concerns of stakeholders of the industry.

Summary of Key Issues and findings

The summary of key issues and findings that Britain needs to address in order to improve upon her global competitiveness includes;

The importance of local market and business markets

Growing Competition

New Trends in Demands

Competition from emerging destinations

Taxation of accommodation and food

Entry Visa and Increase in Price

Climate Change

Build on Britain's image and increase distribution through the trade

Britain's major source of market and Britain's core market

However, only five points would be discussed in the body of the report and the rest will be sent to appendix 1.

Definitions, methodology and framework

Definitions

This section seeks to explain strategic positioning and tourism.

What is strategic positioning?

According to Michael E. Porter, (1996) ' strategy is the ability to make an informed decision on how, when and where to target a customer group, facilitate resources and set objectives (limits) makes the difference between managers who thinks from a strategic perspective in light of what might emerge in future'.

Lovelock (1991), describes positioning as the process of establishing and maintaining a distinctive place in the market for an organisation and/or its individual product offerings.

Putting them together, Strategic Positioning is the positioning of an organization (unit) in the future, while taking into account the changing environment, plus the systematic realization of that positioning (source: <http://www.zenska-mreza.hr/prirucnik>).

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What is Tourism?

According to, Guyer Feuler (1905), “ Tourism is a collection of activities, services and industries which deliver a travel experience comprising transportation, accommodation, eating and drinking establishments, retail shops, entertainment businesses and other hospitality services provided for individuals or groups traveling away from home”. Tourism can be categorized into Domestic, Outbound and Inbound.

Domestic tourism involves people taking holidays, short breaks and day trips within UK.

The outbound tourism has to do with the people’s movement from UK to other provinces, territories or countries to explore.

The inbound tourism involves individual traveling from other places such as Ghana, Togo, USA etc. to UK

Methodology

This report seeks to focus attention on the benefits and challenges of tourism industry in UK. The methods used in completing this report include;

Literature review (Journals, Books, Articles and the internet)

Data analysis at UK, both national and sub-national level

Stakeholder engagement

Conceptual framework

The study adopted marketing framework to explain the functions that links the business with customer needs and wants in order to get the right product to the right place at the right time.

Overview of the marketing process

(Adapted from tutor2u, Riley (2012))

Mission, Vision and Strategic Objectives

The Mission

To increase tourism's contribution to the growth and development of UK economy.

The Vision

UK is globally recognised as one of the world's leading regional destinations for conference, business, sporting and other recreational activities. The country is noted for her high quality facilities, cultural and entertainment. In view of this, the report seeks to;

Improve the UK share of tourism worldwide and employment and quality of life.

Increase UK share in global visitor market.

Strategic Objectives

Maximize tourism visitation, spend and length of stay

Attract investment in tourism related products

Increase industry participation in marketing activities through industry engagement

Improve tourism related community assets/products.

improve the engagement of visitor with products

Improve market access and connectivity

Developing and marketing competitive tourist destination in UK

Build on Britain's image and increase distribution through the trade

Improve the range of product on offer and make it easier to get to Britain

Introduction

This chapter provides the background history of UK and the overview of the industry.

Background History & Current state of UK

The United Kingdom is a country that consists of England, Scotland, Wales, and Northern Ireland. It is a wonderful country with diverse culture and tradition. It is highly belief that, the nature of the people in the country, its landscapes, culture, character, history and traditions; its achievements, impact, successes, and standing; and its future, its vision, its potential makes the country Great. The aforementioned characteristics of the country has reckoned its own people, and people from across the world to see Britain, to know Britain and to understand Britain (Source: Former Prime Minister, Tony Blair).

The country is a Member of plethora organisations which include the European Union, North Atlantic Treaty Organisation (NATO), Commonwealth of Nations, World Trade Organisation (WTO), and Organisation of Economic Corporation and Development. UK has the permanent seat on the United Nations Security Council. Through tourism contributions, United Kingdom is the world sixth largest economy and World's first industrialized country with a population of over 62. 4 million (Ref. UN, 2011).

The Overview of Tourism Industry in UK

Tourism industry in UK has immensely contributed to the economic development in the country. The industry occupies a unique position as the UK's 5th largest industry, 3rd largest export earner behind chemicals and financial services and worth £115 billion a year. Besides, it employs over 2. 6 million people and supports over 200, 000 Small Medium Enterprises (SME's) (source: VisitBritain. com, 2012). Overseas visitors spend around £18 billion a year in this country and they contribute more than £3billion in tax and duty to the Exchequer (VisitBritain Consultation Document, 2012). Research has revealed that, tourism in UK is extremely growing faster than any other economic sectors. It is outpacing mining, agriculture, and fishing as a leading industry for the country. One could see the value of tourism in UK is extremely high.

Although, the industry has been helpful to the country's economy, there has been stagnation of growth recently, due to few key issues and challenges. This has made the industry to decline to the seventh position in the international tourism destination. This result is based on the visitor's attendance and expenditure (Ref. UNWTO, 2011). It means that, France, <https://assignbuster.com/the-uk-tourism-industry-benefits-and-challenges/>

USA, China, Spain, Germany and Italy are all ahead of UK in the tourism hierarchy (Ref. UNWTO, 2011). The question here is.... `what might be problems or challenges resulting to poor attendance of tourists in UK. It is argue that whiles UK tourism performs well, international tourism is fiercely competitive business and their competitors are upping their game (VisitBritain. com).

The industry is facing problem on how to create a competitive, world-class tourism industry in Britain which can match both the quality and the best of British business as well as the scale of tourism in Britain in particular.

Situational Analysis: The UK Tourism Industry and its Competitiveness

The Value of Tourism to the UK Economy

The contribution of UK tourism industry to the national economy demonstrates the magnitude and complexity of the industry. According to VisitBritain's CEO, Sandie Dawe (2012), tourism has tremendously contributed to the development of UK economy. To her, the industry can grow by more than 60% which would be amounted to about £188bn by 2020. Besides, the number of jobs directly and indirectly linked to tourism could rise by 264, 000 to 2. 89 million by 2020, (source: VisitBritain).

Value of Tourism

(Adapted from VisitBritain. com)

Deducing from this, one could see that, tourism is a major contributor to the balance of payments. On the contrary, it is one of the few activities which

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would enable UK to achieve competitive advantages through the redistribution of labour within Europe (Economist, 1993: 5-6). It is also a vital motivator of the UK economy reducing the deficit of the balance of payments, boosting employment, generating income, and contributing to regional development (Zacharatos, 1989: 274; Truett & Truett, 1987: 178). In fact, tourism per se is one major generator of wealth in UK economy. The contribution of the tourism industry in the UK economy has been very encouraging. As of 2010, the contribution of tourism has a total revenue of £110 Billion and 2011-£120 Billion per annum (UK Tourism Statistics, 2012).

Visitors (£m) Spent (£Bn)

Leisure 11. 5 6. 6

Business 6. 8 4 . 0

Students 0. 5 1. 4

Other 2. 4 1. 2

In 2011 (Ref: International Passenger Survey, 2011)

* 1% increase in the cost, meaning, tourism earning drop down by 1. 3%

(Sensitive Tourist, 2001)

3. 2. UK's Position in the International Market

However, the industry's position in the international market chart has been falling for the past 3 years now. This is because the competition in the global market place has become very tough as a result emerging destinations and

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other outstanding destinations such as France, Italy, Malaysia, Turkey, U. S. A etc. Although the industry was able to beat the cut-out point set for year 2012, yet the country's position in the global market is still declining.

In 2011, as illustrated in Tab. 1 below, UK came in the 7th position in the world classification of tourist destinations. The growth in global travel over the last two decades means that UK is competing against more destinations, for a larger number of potential visitors (VisistBritain. com).

Strategic Key Issues & Findings Facing The Industry

The following key themes are outlined from the strategic audit based on research and findings in appendix 2 and 3.

The importance of local market and business markets

The local and business markets are seen as the UK's core markets. Research conveyed by VisitBritain has revealed that challenging facing UK international tourism does not only come from economic trends and competitive activity, but source market also poses unique complications. The local market consists of Western Europe and its surrounding nations such as France and Italy. France, Spain, Germany and USA generate 1/3 of all money spent by visitors in the UK economy (Visitbritain). However, since 2006, UK has lost these market shares and visits. This indicates that, Britain needs to defend volume, value and market share of these areas.

New Trends in Demands

The International tourism is moving to a level where consumers are demanding in new and varying activities which would engage them always. Consumers are demanding for new areas such as eco-tourism, health-

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tourism, sports-tourism, and activity-tourism and education tourism. This means tourists are no more interested in the culture or geographical location of the country. Therefore, in order to attract the attention of tourists, the industry should turn their attention on activity tourism, education tourism

Growing Competition and Competition from emerging destinations

Competition from existing and emerging destinations is another challenge. The emerging destinations like China, Malaysia, and Dubai are the countries that are growing at a fast rate in the tourism industry. Competitors are moving at fast rate, investing in marketing campaigns and addressing policy issues. For example, US government recently has published tourism strategy and national travel to deal with the visa process, border controls and issues of image. However, the major challenge here is how to create a competitive, world-class tourism industry in Britain which would match both the quality and the best of British business and innovative policies to create value and enhance of competitiveness.

Emerging Markets

The competition in the global market place has become very tough as a result of emerging destinations and other outstanding destinations such as France, Italy, Malaysia, Turkey, U. S. A etc. The strategic audit has outlined China, Turkey, Malaysia, Dubai and Egypt as the key target areas for tourism growth. Although the industry was able to beat the cut-out point set for year 2012, yet the country's position in the global market is still declining. This has resulted because the global marketplace is getting tougher and countries like France, US, China, Germany and Dubai have recognized the

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potentials of tourism. This has awakened them to deliver growth and jobs in a tough economic climate.

Taxation of accommodation and food

Research has revealed that UK hotels and restaurants overtaxed in detriment to revenues for the wider economy. Thus, most UK hotels and restaurants charges full VAT rate on tourist accommodation, meal and attraction. There are several shops and restaurants in UK that charges tax on everything tourists buy. A notable example is McDonald- any food bought from McDonald has been tag with tax. This has demoralised most of the tourist to visit UK.

Entry Visa

The difficulty in accessing entry visa to UK is another factor inhabiting Britain's competitiveness as a destination for international tourism. It is an established fact that, for one to get tourist visa to UK is very difficult. Apart from difficult visa process, it is also expensive as compared to other tourist destinations. For instance, to get a tourist visa to UK, one has to pay an Amount of £78 whiles Schengen visa is £53. So comparatively, people would prefer going to Germany, France and other destinations in lieu of UK. This has resulted poor performance since visitors from china, India and other African countries are now visiting Germany and France.

Climate Change

The weather condition in UK is seen as a drawback and hindrance to tourism in United Kingdom. As the weather in UK is unpredictable, tourist most often complain of been disturbed by rain and unfavourable weather conditions.

This has negatively affected the industry since most people are discouraged and lost interest in embarking on tourism to UK.

Developing Strategic Options from the above Analysis

The findings above outline a number of challenges facing the tourism industry in UK. This section will develop a strategy that would be used to increase economic benefits for the country's tourism industry. It would also outline a strategic approach to destination marketing (refer to appendix 2) in order to increase the number of individual visitors. It will develop a brand for UK tourism to get a sustainable presence in the global tourism market place.

Pursuing local and business markets

The industry should increase domestic visitation and focus on the local which is UK's core market. The UK industry should not ignore its local market and business markets while the emerging destinations such as China, India represent long term opportunity for growth. The industry should use advertisement, motivation and rewards to encourage the indigenes of this country to embark on domestic tourism. This will smell good for those outsiders to develop interest in visiting UK.

Strategic development of “ clusters”

Clusters occur as a result of both vertical relationships with suppliers and customers as well as horizontal relationships based upon shared technologies and common customers (Barker, 2007). Thus, in order to increase economic benefit of international tourism in UK, the industry should aim at forming a cluster that will bring group of industries on board. The presence of the cluster will accelerate and magnifies the process of factor

creation in the industry. Once the cluster is formed, it allows companies from the interconnected industries to invest in infrastructures, technologies, information and human resources to improve economic benefits of the tourism industry.

Japan, for example provides a compelling impact of clusters on a country's competitive advantage. In Japan, Keiretsu has formed a cluster of companies around the major banks with shareholding connections (Barker, 2007). This has encouraged cooperation and interaction. In simple put, the scale of the cluster will encourage greater investment, specialization, exchange information and ideas about market needs. Porter on cluster has cited several examples and it will be interesting to observe that clusters are active and strong in Japan, Italy, Sweden, and Germany. However, it is very weak in UK

Strategic destination alliance

Research has disclosed that, France, Spain, Germany and USA generate 1/3 of all money spent by visitors in the UK (VisitBritain). However, since 2006, UK has lost these market shares and visits. This means that, UK needs to defend volume, value and market share of these areas. In order to gain market share, the industry should establish a strategic partnership with the emerging competitors. The industry can link up with such destinations to form a league of nations with must visit and must see places. The tourism industry can develop stronger relationships with other private companies in the name of tourism partnership program. This will help to develop and promote cultural tourism and opportunities.

Corporate social responsibility strategy

Scholars like Friedman (1962), and Grossman (2005) maintain that, the traditional view of a company is that, the company has a responsibility to make as much profit as it can for its shareholders. Alternatively, the stakeholder approach suggested by Edward Freeman in 1984 directs organisations to manage the interest of and acknowledge a duty of care to a range of stakeholders. Based on the traditional view of the industry or a limited stakeholder view of the industry, UK tourism board should focus on using corporate social responsibility to increase positive stakeholder benefits while eradicating the negative effects of its action. It has been reported that non-governmental organisations have been donating millions to help in various environmental projects. These projects are centered on environmental protection, climate change, and the promotion of renewable energies.

Also, VisitBritain should introduce structures that will engage and communicate with UK tourism industry and stakeholders. This will help to provide a coordinated approach to drive forward the implementation of the Strategic Framework for UK Tourism. The structure will give the industry the chance to share innovative and intelligence delivery as well as addressing key issues and challenges affecting the tourism industry. Notwithstanding that, it will act as a key mechanism for VisitBritain to communicate with the industry and connect effectively with the emerging destinations.

Strategic Recommendations

To overcome the challenges and maximize the benefits of the industry, the industry in collaboration with UK Government should:

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Tax elimination

There should be tax free tourists and ensure that there is no imposition of tax on any food and accommodation. The government should solicit for funds from private enterprises to support the tourism industry. This will help to eradicate if not reduce tax rate to its minimum.

Reduction of tourist visa fee to compete with Schengen visa

Thus the amount of money taken from tourists as they apply for tourist visa should be reduced to compete with the other competitive countries. Also the UK government should publish a national travel and tourism strategy which will aim at reducing the tourist visa fee and process, border control and issues of image. This will maximize tourism visitation, spend and length of stay.

Expansion of local and international sales teams

Use the corporate governance strategy to keep the industry accountable.

This will help to avoid any sorts of bribery and corruption in the tourism industry. Have a tourism industry which provides affordable quality, which is open to all and which makes the best use of Britain's resources.

Summary

To sum up everything, Marshal (2012) opine that “ the challenges facing the tourism industry are complex and numerous. However, the two key among all the challenges are; Tax on accommodation and food and how to create a competitive, world-class tourism industry in Britain.

Frankly speaking, “ addressing these challenges will require a high level of coordination and cooperation to marshal resources more effectively. Fiscal pressures and competing priorities among all tourism partners and tourism stakeholders will require new and innovative partnership arrangements to respond to growing competition and global opportunities (Marshal, 2012)”.

Conclusion

This report has provided a product and market development strategy for the UK tourism industry. The background history of UK and the overview of the scope are revealed in this study. It also outlined the vision, mission and strategic objectives of the study. Situational analysis of the industry based on the local market, value of tourism and UK’s position in the international market has been scholarly presented. The report revealed a summary of the key findings of strategic marketing audit of the UK tourism sector. The findings of the report are used to develop a strategy for increasing the economic benefits of tourism to UK.

The strategy for overcoming the challenges in order to increase the number of individuals visiting UK for tourism is disclosed in this report. The report concludes by making strategic recommendations for areas of growth in tourism activities in UK, development of products and resources needed to ensure viability. More so, significant barriers to implementing those recommendations are identified throughout the report to address the concerns of stakeholders of the industry.

To amass everything, it is the objective of the Ministry of Tourism and the Government of UK to create the environment where the industry would “ do

not only teach people to smile but give them a reason to smile". The Government should note the above recommendations a point and legislate new tourism policy (Hon. Harold Lovel, 2012).

Annotated Bibliography

Vision, mission, aims and objectives

In order for an organization to have clear strategic directions, it must first formulate clear vision, mission, aims and objectives. The following books were helpful in discussing the purpose of the vision, mission, aims and objectives;

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Understanding Strategic Position and Tourism

Strategy and Tourism have myriad of definitions from a different perspective.

It is therefore important to open this report with a brief explanation on

strategic positioning and tourism. This will help to facilitate better

understanding of strategy formulation and implementation. The following

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conceptualization of strategy and tourism.

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Key Issues and Challenges

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Strategic Options

This section of the report focuses on the Marketing strategy and action plan.

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Appendices

appendix 1 (KEY ISSUES & FINDINGS)

Increase in Price

A research conducted by San Francisco State University indicated that, the prices for local goods and services have increased by 8% as a result of tourism development. What it means is that, tourism development has tremendously increased in both building costs and land values. This is because the rich are now using the lands to build and engage in real estate for tourism purpose. This has resulted in difficulty for the indigenous people to meet the basic needs to purchase lands for their own use.

Economic Dependence

According to Marshall (2012), “ over-reliance on tourism, especially mass tourism carries significant risks to tourism dependent economies. He argues that economic recession and the impacts of natural calamities such as tropical storms and hurricanes as well as changing tourism patterns can have a devastating effect on the local tourism sector.

Reduction of UK Government fund for tourism industry

In addition, the reduction of UK Government funding on tourism industry is a factor. Thus, the subsidy given by the UK government as a supporting aid to the tourism industry has dropped by £48. 0m to £35. 9m, which is 25% decrease in 2011. This has