

Effects of the economic crunch on hospitality industry tourism essay

[Sport & Tourism](#), [Ecotourism](#)



Introduction

The hospitality industry is one of the most important industries globally since it generates billions of dollars across the world. This industry is large and it indirectly and directly employs staff in different professions including hotel industry, tourism industry, air travel industry and other industries. The hospitality industry mainly relies on disposable income of clients and presence of leisure time since many services in this industry are enjoyed during leisure time (Beaver, 2002). This industry is an important revenue earner in different economies especially those which rely on tourism as a major source of government revenue. However, the hospitality industry is a very sensitive industry which thrives on economic and political stability of various destinations and economies. Political and economic instability has a direct adverse effect on this industry and may lead to drastic revenue losses by such economies (Clifford, 2008).

It is therefore important to analyze this industry in relation to available opportunities and present threats in order to predict future trends. This paper will assess the future trends in the hospitality industry. The available opportunities and present threats will be used to ascertain these trends. The paper will focus on both a global approach and an approach from the United States business environment. Recommendations on what should be done to improve the future of the hospitality industry will also be given. The discussed issues will be summarized at the end.

Future trends

Short term decline of industry due to economic crunch

The hospitality industry is one of the most affected industries as far as the global economic crunch is involved. This industry relies on disposable incomes of families and due to the effects of the crunch; people are no longer able to afford holidays and leisure activities. Almost all countries experienced adverse effects of the crunch and the tourism industry was one of the most affected. For instance, tourism in Europe declined by over 5% over the past three years, due to effects of the financial crisis (Theobald, 2008). In the US, the industry declined by 3% in terms tourist arrivals. Worldwide, the tourism industry declined by an average of 4% over a similar period, which translated to 880 million tourists (John, 2010). Although many economies are struggling to reduce the effects of the crisis, the hospitality industry will be among the last to enjoy the benefits of massive financial injections to economies by governments. This is because services in the hospitality industry are considered luxuries by many households and luxuries are the final needs satisfied by rational beings after all other needs are exhausted.

Long term growth due to massive investments

In the long run, the hospitality industry is expected to grow largely due to the massive investments which are being undertaken around the world. One of the destinations where there is heavy investment in the industry is the Middle East and specifically Dubai. Billions of dollars have been invested in Dubai with the purpose of developing infrastructure needed to make it a

world class destination. Investment in hotels, properties, golf courses, transport, buildings, cultural museums and other tourist attractions have been realized in recent years. This includes the world's tallest building and a seven star hotel (Conrad & Alison, 2009). Other governments which rely on tourism as an industry for revenue collection have also made massive investments. This shows that in the long run, consumers will have a larger variety of leisure activities to choose from, which will encourage the growth of the hospitality industry.

Implementation of total quality management

There has been a gradual improvement of service provision in the hospitality industry due to the implementation of total quality management. This strategy involves improvement of the quality of services provided to increase efficiency, reduce costs and meet the needs of all stakeholders in the industry. The Malcolm Baldrige Awards introduced in recent years has helped improve quality of service in this industry since it targets total quality management of firms in the industry (Christine, 2006). The Ritz Carlton hotel was one of the first to win the award, and to set new standards in provision of service in the hotel industry. Many firms in the hospitality industry have recognized the importance of improving service provision due to intense competition and market awareness of products offered. The improvement of service provision is likely to encourage the growth of the industry in the long run.

Potential threats and opportunities

There are various opportunities which can be exploited in the hospitality industry. There are also various threats to this industry and these should be mitigated to ensure the industry is successful in the long run. These opportunities and threats will be discussed below;

Opportunities

The major opportunity in the hospitality industry is investment in infrastructure needed to fuel the growth of the industry and target new and emerging markets. It has been discussed that many governments and private firm are investing in the industry especially in the Middle East. It is important to encourage consumers to demand such services if the effects of the global economic crunch are to be mitigated. This can be done through providing markets with unique services which were previously not offered and reduction of product prices to encourage local tourism in different countries (Jacques, 2000). Local tourism has a very large potential in many destinations, although it is underexploited in most cases. Packages which encourage local tourism should be developed and services which meet local needs made available in order to enable long term growth of the industry.

Threats

Global economic crisis

One of the greatest threats to the future of the hospitality industry is the global economic crunch. The global economic crisis has led to reduction of the growth and development levels of most economies. This crisis has also led to massive unemployment and reduction of the disposable income of

many families (Lennon & Malcolm, 2008). It was previously discussed that the hospitality industry thrives on disposable income of clients and presence of leisure time. The global economic crunch has reduced the disposable income of families. It has also led to reduction in leisure time since many employees strive to work for longer hours in order to earn higher salaries which can mitigate effects of the crisis. The reduction of incomes and leisure time has led to a decrease in purchase of services in the hospitality industry by consumers. Fewer people are able to travel for leisure or have meals at restaurants and hotels since they consider these services to be luxuries. Unless adequate steps are taken to reduce the effects of the global crunch, many firms in the hospitality industry may face losses in the long run.

Implications of the trends on hospitality industry

The implication of these trends in the hospitality industry is a short term decline and a long term growth of the industry. Although the industry has declined recently due to the effects of the financial crunch, there is potential for growth in the future due to massive investments and consumer awareness of products offered. However, the private sector and government have a responsibility of cooperating of this growth is to be achieved. Massive investments, innovation of unique services and consumer awareness of products offered is key to achieving this growth. It is important to make the following recommendations if long term growth of the hospitality industry is to be achieved in future.

Recommendations

Government interventions

There are various government interventions which should be implemented if the hospitality industry is to grow and develop in future. Government interventions should mostly involve measures which stimulate economic growth and development as well as the creation of an environment which encourages the growth of the hospitality industry (Cooper, 2005). This includes a financial package which is geared towards encouraging more public investment and economic stability of firms especially during the current global economic crisis. It should also involve development of infrastructure which will ensure that the hospitality industry is able to meet the diverse needs of clients.

Product differentiation

Product differentiation is important in meeting unique market needs across different environments. It involves developing unique products to meet diverse needs in different environments. Firms in the hospitality industry should undertake research on market needs and develop products which meet unique needs across different environments (Wilkerson, 2003). This will ensure that customers' needs are satisfied and they remain loyal to providers of such services. In turn, the hospitality industry will enjoy long term profitability.