

# Supply chain management in tourism



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“ The integration of key business processes from end users through original suppliers that provides products, services and information that add value for customers and other stake holders.”

“ Supply chain management (SCM) is the process of planning, implementing, and controlling the operations of the supply chain as efficiently as possible. Supply Chain Management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption”. (wikipedia. com)

SCM in tourism will start from planning of a product, identifying the different sectors to be included in the complete tourism product and also, in each sector of the product, The management of the raw material , inventory of raw material and delivery of the services.

### **Tourism: An industry**

“ Tourism denotes the temporary, short term movement of people to destination outside the place where they normally live and work and their activities during their stay at these destinations”.

Tourism is a multi segment industry. It is an industry where the products are consumed on the spot forming invisible exports. It is also a fragmented industry with high complexity due to the price sensitive nature of demand and the intangibility, perish ability and inseparability.

Tourism, like all other supply chains, operates through business-to-business relationships, and supply chain management can be applied to deliver sustainability performance improvements alongside financial performance, by working to improve the business operations of each supplier in the supply

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chain. The main differences between tourism supply chains and those of other sectors are that tourists travel to the product, and the product that they buy has a particularly high service component – in other words, it involves a higher proportion of people in the immediate production of the holiday experience.

### **Supply Chain Management in tourism**

The aim of supply chain management is to eliminate waste in the chain and to improve the customer service. The elimination of waste for example waiting time, inventory and production of non-requested products leads to lower costs. The improved customer service by means of, interlinked processes, lead to preferred suppliers and to a bigger turnover. All this leads to higher productivity (more income/ less costs). In tourism it plays a very important role to deliver the quality service with minimum gaps or reduced gaps.

Shortened product life cycles, increased competition, and heightened expectations of customers have forced many leading edge companies to move from physical logistic management towards more advanced supply chain management. Therefore, in many cases, the only possible way to further reduce costs and lead times is with effective supply chain management.

In addition to cost reduction, the supply chain management approach also facilitates customer service improvements. It enables the management of inventories, transportation systems and whole distribution networks so that organizations are able meet or even exceed their customers' expectations.

Tourism supply chains involve many components – not just accommodation, transport and excursions, but also bars and restaurants, handicrafts, food production, waste disposal, and the infrastructure that supports tourism in destinations. These all form a part of the holiday product that is expected by tourists when they purchase holidays, quality, depends on performance at all the links in the tourism supply chain.

A further aspect of the tourism supply chain is the activities of customers while on holiday, particularly in relation to their behavior, and what they source for themselves in particular situations.

The main strategies in any supply chain are sourcing strategy, distribution strategy, inventory strategy, manufacturing strategy, customer service strategy and the strategy of integration.

Tourism comprises of different industries' product and service like of Hotels, accommodation, transport, destination etc. SCM strategies can be modified to suit the nature of the product.

### **Sourcing Strategy -Sourcing mainly constitutes**

1. Make or buy decision
2. Manufacturing management
3. Capacity Management

1. Make or buy decision: Services can be delivered directly or can be outsourced/Co-Sourced as done by Thomas Cook a reputed name in providing tourism services. Thomas Cook implemented strategic sourcing arrangement with Accenture by outsourcing its Back-Office

activities. Through this model they were able to improve operations and reduce its cost, by US \$ 243. 72 million in just 16 months.

2. Manufacturing management: In tourism, manufacturing component is limited only to certain sectors like food and craft, memento, gifts etc. Services are processed at each stage in the tourism. For example, in transport sector at airport different services like visa and immigration processing, waiting time etc are processed to deliver the maximum satisfaction to the travellers. At the destination the service is processed by providing safe environment and security to the tourists.
3. Capacity Management: The tourism products are subject to instability of demand. Example during Muscat festival in Oman, the demand exceeds the supply in many of the sectors of tourism like in hotels and airlines. Airlines meet this excessive demand by increasing the capacity by introducing additional special flights at special rates.

### **Distribution strategy**

In tourism industry, the distribution strategy has far reaching impact on the development of the industry. This makes it essential that the channel decisions are sound so that the beginning and end process of marketing are managed efficiently and effectively.

A basic understanding of the structure and working of the distribution system in travel industry, including the middlemen who form the part of the system, is found essential to understand the Economics of the tourism industry. The current practices insist on four types of sales distribution of tourism as a product.

- One stage system: This system provides direct sales from primary suppliers of the services to consumers through its own reservation departments. E. g. airlines directly selling tickets to travellers through its reservation office.
- Two- stage system: This system involves single middlemen i. e travel agent.
- Three-stage system: This system involves two middlemen, retail travel agent and wholesaler or a tour operator.
- Four-stage system: This system involves a retail travel agent, wholesaler and additional middlemen known as Speciality Chancellor, who is instrumental in the development of tour packages.

Inventory Strategy: An inventory of tourism products identifies the opportunities and constraints that a local authority has in attracting visitors to their town/ city/region. The number and range of attractions and activities, things visitors can see and do, are particularly important. Gaps in the product range and/or poor quality facilities will make places less attractive to visitors. In the same way lack of transport and accommodation will deter visitors from travelling to and stopping at the destination. Until an inventory of attractions, activities, accommodation and transport has been completed and this is matched with an understanding of visitor demand and Visitor satisfaction, destinations will be unsure whether they are meeting visitor expectations. In terms of prioritising tourism requirements, the attraction and activity sectors are the key areas. For Example, Tourist visit Switzerland for ' fun and excitement' and it is the service provider that provides this

opportunity to the tourists. Local government is often also, a key provider of visitor (and residents) these attractions and amenities.

**Customer Service Strategy:** The aim of the tour operator should be that he consistently makes the customers happy 100% of the time . Inconsistent service leads to customers not knowing what to expect. Customer service includes providing accommodation, flight details, and attractive tourist points. Employees are vital in this attempt to achieve consistently high customer service. Organisations must have the right systems in place in order to achieve their goals. If staff cannot take the right action when dealing with customers, the business will suffer. It is about five times as expensive to win over a new customer as it is to work with an existing one.

**Integration Strategy:** Supply Chain integration Strategy links all the business entities in the supply chain. In tourism the tour operators act as producers as well as distributors. In an efficient supply chain, manufactures, suppliers, distribution channels and customers are linked in the form of a chain to develop and deliver products as a single organization of pooled skills and resources. Higher the integration process, greater is the success of supply chain system.

Tour operator or service provider has to integrate all the services together effectively to design the preferred output to gain the competitive advantage.

For effective supply chain management of tourism services, it is essential that different segments of product (tourism) are managed in tune with changing habits and desires of users. SCM in few of the important aspects of

the tourism like accommodation, transport, food and crafts and destination are discussed briefly in this paper.

### **Accommodation**

Accommodation facilities are found to be important aspect of Tourism product. For managing hotel services, at the very outset, the locational factors are found important. It is essential those hotels are easily accessible to the tourist's sites or beaches or shop. The staff of the hotel should be trustworthy, well trained, and well versed with technology. Hilton Properties California manages their procurement and inventory using software application called Birch Street.

There is need for development of Hotels of different Grades and categories to accommodate the tourists of all segments. The restaurants and cafeterias are also found to be image creators. The accessibility and comfort of user is important factor in satisfying experience. The place should be free from all industrial Hazards. The guests staying in hotel should be able to avail the facilities like Quality Bedrooms, conference halls, bars, shopping arcade, swimming pool, transportation arrangement, first aid facilities etc. While developing the product, the quality of services comprising of efficiency, personal attention become significant.

According to Carla Gold GM Radisson hotel, Cleveland “ A good supply chain management starts with Hotel operator knowing the upcoming business demand. Optimum inventory management is required to minimize the cost.

The tourist organizations can't think in favour of an optimal product strategy, if classified and unclassified hotels of different grades or stars are not easily



available to the tourists. Unplanned development of accommodation sector can hamper the quality holiday experience of the tourist.

### **Transport**

All ingredients of tourism product fail in getting positive response, if the tourists do not experience comforts while travelling or while coming to the destination. It is not possible that all the tourist sites are directly linked to the airports. Hence other transportation facilities like railways and road transport facilities become significant. The tourist organization may also offer services but most of the guest prefers to avail private transportation services. This makes it essential that the transport facilities are well integrated. The tourist should be offered safe, fast, convenient and economic transport services. Since all the tourists cannot avail air services, the railways and roadways are required to develop planned way. The schedule and speed should be maintained. The number of visitors to a country also depends on the ease with which tourists are able to obtain Visas and sail through immigration procedures. At Muscat international airport immigration procedures are being modernised to cut the wait for travellers. To speed up the processing of registration and to take care of security of the travellers electronic gates are installed.

Hong Kong International Airport has been named best airport in the world by Skytrax.

Travellers' look for speed and maximum time utilization in the airport, clean washrooms, seating availability, and prices charged at food and beverage outlets, and how helpful the airport staffs are.

The transport operators should behave properly, so that the tourists are motivated. The seating arrangements should be comfortable. The drivers and the conductors and other window staff should behave properly. At any cost, there should not be any compromise with the safety principles.

It is important to mention that the inadequate airline capacity is critical bottle neck in air travel to and from India, particularly during peak season. Charters not only augment air capacity but also help in promoting new destinations.

This necessitates adequate attention for upgrading transporting facilities, in important tourist centres.

Rail transportation needs to develop special fascination for foreign tourists. It is appreciated “palace on wheels” scheme. The coast line and back water areas need an intensive care. The possibility of having ship cruises along with coast line and the potential offered by the back waters of Kerala and Sunderbans (West Bengal) for river cruises are required to be fully tapped.

### **Food and crafts**

In many cases tour operators use local food and crafts as one of the tourist attractions of their packages. Food and crafts can generate considerable profits for the local population, when volume production and delivery at set quality standards can be met by local producers. Key issues for local sourcing of food supplies in the tourism sector are quality, reliability and quantity of supply. Promotion of local sourcing therefore requires training and technical support and investment – for example in storage and distribution facilities – to meet quality and reliability standards, as well as the

development of production and distribution networks to gather supplies from different local producers into the quantities required by hotels.

Few tour operators have supply chain initiatives on the production and distribution of local, sustainable food and crafts, but some work with their local suppliers to promote local sourcing of food and other local products. Small hotels are more likely to buy from local suppliers, while some large hotels have developed programmes to encourage local production at the standards they require. This generally requires constant supervision and commitment, and success is often linked to championing of local sourcing by hotel chefs. Local sourcing and production will usually improve the contribution of tourism to the local economy, both financially and in terms of employment, and may also help to preserve local skills in craft production. For example Surajkund Crafts Mela, is the prominent tourist destination of Haryana, India. The Mela attracts lakhs of visitors, both for the amazing range of interesting crafts it showcases as well as the relaxing rural ambience of the Mela grounds. Besides shopping to your heart's content, you can also witness beautiful, colourful folk dances and also savour delicacies of various states of India.

### **Destinations**

In relation to the tourism supply chain and direct inputs to tourism, destinations provide infrastructure and services. Destination initiatives for sustainable tourism seek to improve the quality of infrastructure – for example, through improvements to waste management infrastructure for solid wastes and awareness raising programmes on waste management practices , to transport systems and to reduce vehicle impacts and to

increase the ability of the destination to gain from tourism. Other initiatives include the promotion of linkages between tourism sites, and promotion of a wider range of tourism activities to encourage tourists to sample different aspects of the country and thereby diversify and spread the economic benefits of tourism.

A number of initiatives in destinations in many developing countries are designed to enhance local employment in tourism, such as by supporting the substitution of locally-grown and locally-manufactured products in place of imports in the tourism sector, the establishment of investment and loan funds to assist local tourism businesses to start and expand, or the setting up of employment bureaux to match employees with tourism jobs.

Some destinations have set up local quality of life and sustainability programmes using sustainability indicators to monitor environmental quality, and in some cases, biodiversity, as well as monitoring visitor satisfaction and changes in tourism markets. Marketing, products and operations can then be adapted according to the monitoring information obtained.

The Taj Mahal one of the Seven Wonders of the World in India attracts 2 to 4 million visitors every year with more than 200, 000 from overseas. Polluting traffic is not allowed near the complex and tourist must either walk from the car parks or catch an electric bus. For security reasons only five items – water in transparent bottles, small video cameras, still cameras, mobile phones and small ladies-purse – are not allowed inside the Taj Mahal.

## **Conclusions**

1. Based on various discussions in the above paper, it can be concluded that rules/ trends/models of supply chain management of manufacturing technology holds good for service sector also with reference to tourism
2. Various aspects of services with reference to tourism are discussed separately. This paper discusses that there are many components in tourism. In each component like Accommodation, transport, food and Crafts Destination etc. there is need for Supply Chain Management to deliver quality service resulting in satisfying experience or tourist satisfaction.
3. From the discussions in the paper it can be concluded, higher the integration of services within a particular sector (intra relationship) and also amongst the different sectors (inter relationship) of tourism, greater is the competitive advantage.
4. Services in tourism like security of tourists, minimum waiting time at different locations, Environment friendly operations etc forms the important constituents in strategies of SCM.
5. Supply Chain Management is a strategic tool which leads in cost reduction, optimum utilization of resource, sustainability resulting in leadership in today's global competitive market.

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