

# [Strategic management of scottish tourism and hospitality industry](https://assignbuster.com/strategic-management-of-scottish-tourism-and-hospitality-industry/)

Tourism injects ? 4. 5 billion annually into the Scottish economy and is one of Scotland largest employers, employing 197, 000 or 9% of the workforce (13% in the Highlands & Islands). It pays the wages of more people than the oil, gas and whisky industries combined.

Scottish tourism has grown since 2002; hotel occupancy rates are running at record levels. Growing overseas markets is very important, because overseas visitors stay longer than UK tourists. It’s also important to remember, though, that they represent only 19% by value (9% by volume) of Scottish tourism activity (for business tourism 15% by value). 44% of tourism trips in Scotland are by Scots themselves, while 47% are made by visitors from England and Wales. (The Next Decade) 2. PESTLE ANALYSIS The Scotland tourism and hospitality industry also has same features to that of the Global tourism industry.

Through the help of PESTLE analysis it will be able to get the external and internal environment of the Scottish tourism and hospitality industry providing the impacts based on which a response reaction can be plotted. . POLITICAL FACTORS 1. Fresh Ties between US and Scotland “ The Scottish Government has refreshed its plan for engagement with Scotland’s single largest overseas market for exports, inward investment and tourism – the USA.

Scotland attracts more visitors from the USA than from any other overseas market – in 2008, 340, 000 trips were made by US visitors, contributing ? 260 million to the Scottish economy (21 per cent of all visitor spend that year)” (Congressman-John Duncan, 2010) 2. Strict acts ensuring wild life protection Wildlife tourism is becoming increasingly popular, generating significant benefits for the economy and coastal communities. With this in mind, we need to ensure that we safeguard our marine environment for the future. Scotland’s Marine Act offers enhanced protection for wildlife and will help deliver economic growth for key business sectors”.

(Tourism Minister Jim Mather, 2010) The wildlife tourism annually brings in a net economic impact of ? 65 million to Scotland’s economy and creates the equivalent of 2, 760 full time jobs. Around 1. 2 million trips were made every year to or within Scotland with the main aim of viewing wildlife. This form of tourism appealed greatly to UK-based visitors and Scots themselves, accounting for 56 per cent of trips. And it was these UK visitors who generated 75 per cent of the income. (News-Tourism Scotland-Govt) 3.

Increasing tour with Europe With VisitScotland and using the Route Development Fund, it was possible to build the Rosyth, Zeebrugge ferry and several new direct air links to Europe. Mainland Europe presents enormous opportunities for Scottish tourism, particularly in view of the growing trend for short breaks. Campaigns will be enhanced by attractive carrier messages, presenting Scotland as accessible and affordable. VisitScotland continues to work with partners through the Route Development Fund to assess the scope of opportunity for new routes.

In doing so, VisitScotland considers the strength of the inbound/outbound potential and partnership opportunities. (European Strategy-Scottish Executive2010) 2. ECONOMIC FACTORS 1. Exchange rate Europe being a major touring spot for Americans and Asians the exchange rate in Europe is far more attractive than that of UK which over rides the exchange rate of EURO. This has a huge impact on tourist who tend to visit Scotland while countries like India and China with lower exchange rate possess a potential threat for the tour operations which influences most of persons getting diverted to these countries 2. Air Passenger Duty The tax on aviation — through APD — has risen disproportionately in the UK in recent years and thus has the potential to have a very detrimental effect on outbound and inbound tourism to the UK.

The tax on long-haul travel in particular (B and C — which carry the highest level of aviation tax) has led to mounting international concern. Previously agreed increases in APD mean that long-haul travel will bear the brunt of the increases. Air Passenger Duty increased (Keynote: 2010) on 1 November 2010 meaning that economy class passengers pay between ? 12 and ? 85 depending on distance travelled while those in premium cabins pay between ? 24 and ? 170. (News, Economy-Scotland Govt) 3. Volcano Crisis Cost Airlines $1. 7bn The International Air Transport Association (IATA) has estimated that the Icelandic volcano crisis cost airlines more than $1.

7bn in lost revenue. In the 3-day period from 17th to 19th April, when disruptions were at their greatest, lost revenues reached $400m per day. According to Giovanni Bisignani, IATA’S CEO, “ During its worst period, the crisis impacted 29% of global aviation and affected 1. 2 million passengers a day.

The scale of the crisis eclipsed 9/11, when US airspace was closed for 3 days”. According to IATA, some cost savings were made relating to flight groundings. For example, the fuel bill was $110m lower per day compared to normal daily flight activity. However, the airlines faced added costs including those from passenger care.

For an industry that lost $9. bn in 2009, the crisis was devastating, particularly since Europe’s carriers were already expected to lose $2. 2bn in 2010. (Keynote: 2010) 4.

Improving road and rail connectivity. Roads and railways links plays a major role in domestic tourism. Most people are likely to use their personal cars for visiting various landscapes to spend their leisure time. It also provides access to different parts of the country which gives the pleasure of a ride.

Improving the standards of road and rail transport enhances the expectations of international visitors who mainly look ahead for activities like walking and cycling. Over ? 4. 1 billion is being invested in Scotland’s strategic transport networks, supporting the economy through the efficient movement of goods and people”. (Mr Swinney, 2010) 3. SOCIAL 1. Impact of local residents Hospitality and friendly nature of locals have a huge impact for costumer during selection of tourist destinations.

Due to technology the News of any incidence in one’s country reaches throughout the world bring awareness in one’s mind especially if any unpleasant events like terrorism or riots occurs. While security and safety is the prior functions to be considered in a hospitality industry. Even language acts as a barrier in tourism but since Scotland uses English as common language it reduces the risk of language barrier. 2. Greener Journeys Campaign In September 2009, the UK’s five largest bus groups joined forces to launch a Greener Journeys campaign. The campaign is recommending a range of policy initiatives designed to encourage modal shift and to reduce the number of car journeys in the UK by one billion over 3 years.

According to the companies, this could be achieved if people switched from car to bus or coach for just 1 journey in 25. Greener Journeys is calling on the Government to set targets for local authorities to encourage modal shift, promote investment in low-carbon buses, encourage bus priority and park and ride, and other measures to cut commutes by car. (Keynote: 2010) 4. TECHNICAL 1. The Internet The Internet is especially relevant to tourism since it enables knowledge about the consumer or tourist to be gathered, as well as vice versa.

This gives ‘ rise both to global visibility of destinations and a global merging of market segments’ (Werthner & Klein, 1999, p. 58). The use of web-based tourist information systems has grown significantly. In 1996, 3.

1 million consumers used these systems and this jumped to 33. 8 million consumers in 1998. It was predicted that by 2008, 30% of the whole tourism business will be Internet based (Garzotto et al. 2004).

2. Tuned Air travelling Better experience in air travelling will be provided by flights like The Dreamliner. The aircraft is revolutionary in that it is made of composite materials, making it lighter and more fuel-efficient than previous aircraft. It also has a series of cabin features designed to make flying a more comfortable experience such as bigger windows, large overhead bins and lighting that will mimic sunset and sunrise during the journey to reduce jet lag. While Easy Jet is aiming to fit 12 of its aircraft with infrared cameras capable of detecting volcanic ash in the atmosphere.

In June 2010, the airline announced a trial period for the cameras, which allow pilots to see ash up to 100km ahead of the aircraft at altitudes between 5, 000 feet and 50, 000 feet. The system, which has been called Airborne Volcanic Object Identifier and Detector (Keynote: 2010) . Environmental 1. Impact of travel in climate change Anticipated growth in domestic and international air travel suggests passenger kilometres will reach somewhere between 5, 639 and 6, 115 billion kilometres by 2015, representing a worldwide growth of between 122% and 141% over 1995 figures. Freight aviation in this period increased in global tonne kilometres by 2, 200%. Passenger aviation is predicted to grow to between 450% and 820% of 1995 figures by 2050.

By this period aviation will become one of the biggest single contributors to global climate change gives more CO2 emission. While personal driving like cars gives privacy but at same time increases problems such as air pollution noise pollution road confections and risks of accidents. 2. Sustainable tourism Programs like Sustainable tourism and green tourism enables tourism industry to focus much on environmental issues creating awareness amongst the operators as well as the participants to reduce environmental impacts like carbon foot print. It also anchors programs and promotions on awareness of water savings, energy saving, recycling and reusing materials along with proper waste management. (VisitScotland 2010) 6.

LEGISLATION . Development of Tourism Act 1969 The British Tourist Authority (BTA), together with the Scottish, Welsh and English tourist boards, was created by the Development of Tourism Act 1969. The BTA’s role included encouraging people living overseas to visit Great Britain and people living in Great Britain to take their holidays there; along with bolstering the provision and improvement of British tourism facilities. In 1998, responsibility for tourism was devolved to Scotland and Wales and the BTA was designated a ‘ cross border’ authority under the devolutions legislation (Legislation. gov. uk) 2.

Outbound MarketOrganisations which sell package holidays in the UK must comply with the Package Travel, Package Tours and Package Holiday Regulations 1992. These regulations provide consumers with statutory legal rights against tour operators, in that all tour operators selling packages must be bonded or protect the prepayments that they hold. Where a tour operator has failed to honour its contractual obligations to a customer, it may be liable to pay compensation. (Nationalarchives-2010) Form the pestle analysis it is evident that the government is supporting the tourism development since it provides a major input in economy and in country’s development.

. STAKE HOLDERS “ Stakeholders are all the persons or groups who have interests in the planning, process (es), delivery and/or outcomes of the tourism service” (Sautter & Leisen, 1999, p. 315). The Scottish tourism has the following stake holders who contribute widely in various aspects as individual or as a group Internal stake holders are • Tourism Service Providers, venue owners, hoteliers, restaurants, museums etc.

• Tourism intermediaries, Associations of Tourism and Hospitality businesses • Share Holders • Accessibility device and product vendors and distributors • Social partners (Employers, Trades Unions etc. • Vocational Training Sector • Added value service providers (Mobile Operators, ISPs, Interactive TV) • Investors, financial institutions, private and public • Corporate Buyers: companies and organisations buying tourist services, the vast majority of them being SMEs • Professionals and Professional Associations: human resource managers, trainers, External stake holders are • National public and local authorities, National and Regional Tourism Organisations • British Hospitality Association • Government of United Kingdom(Tourism Department) End users • Media, the Press • Professional networks interested in professional development in accessible tourism 3. 1. Interests of stake holders 1.

Desire to travel for various reasons 2. Need to receive reliable information for travelling 3. Provide full range of services/ tourism products available at the destination to customer 4. Strengthen the destination’s/ organisation’s image 5. Improve quality of service 6.

Enhance organizational effectiveness 7. Potential for increasing customer knowledge/ market intelligence 8. Target new customer segments . Diversify and differentiate products 10.

Personalise products and add value at all stages 11. Profit rationale: increase revenues/ market share 12. Achieve cost- competitive advantage by creating value for money 13. Create competitive environment 14. Outperform competition in the long run 15. Reinvent new and innovative business practices 16.

Area for training opportunities 17. Employees interest like job security, higher wages, and other benefits 18. Customer’s requirements like innovation, versatility, satisfaction for value for money 3. 2. Constraints for stakeholders 1.

Cost constraints 2. Lack of content- rich information of destinations/ sites/ venues 3. Lack of content- rich information of accessibility 4. Restricted legal status for generating profit 5.

Lack of strong image for providing reliable information on accessible tourism 6. Lack of direct contact with customer 7. Lack of booking facilities 8. Low market penetration 9.

Absence of strong advertising and promotion strategies The influence of stake holders in Scottish tourism can give given in the matrix against power and interest of stake holders | S T R E N G T H O F I N T E R E S T | | R | Stake Holders | Low | High | | E | | | | | L | | | | | A | | | | | T | | | | | I | | | | | V | | | | | E | | | | | | | | | | P | | | | | O | | | | | W | | | | | E | | | | | R | | | | | | Low | Vendors | Employers | | | | Suppliers | Trade Unions | | | | Service distributors | Communities | | | High | Investors | Share Holders | | | | Creditors | Media and Advertising sector | | | | Costumers | | 4. PORTER’S FIVE FORCES 1. Threat of New entranceIn case of Scottish hotel industry it will be hard for the new entrant because it is expensive to enter the hotel industry, due to high initial capitals and very high capital requirements on building, furbishing and equipment – expensive start-up costs altogether, furthermore knowledge how to manage everything, time and human resources plan, at the same time; experience is needed, together with the presence of some economies of scale. Also entry barriers, such as government restrictions, patents or know-how, specific assets, and organizational economies of scale. There are very specific assets in this industry and low product differentiation.

Above all Brand identity is a vital factor that gives advantage in terms of image, loyalty of the customers and access to different vital technologies and skills. Potential entrants are industries not currently competing but have the power to do so. This presents a threat to existing industry operating; so the current industry will make sure the entry barriers are kept high. (Hill, C.

W & Jones, G. R. 2001, p. 78-108) 2. Competitive rivalry The rivalry among the existing players in the hotel industry in the world is strong.

This is because of the growing number of players at the same time, low differentiation of the products and services that are being offered. In the hotel industry in Scotland there are many competitors for each individual hotel. The Higher rated hotels competes with existing hotels in their category but even there also many more hotels with perhaps lower rating but those can be still regarded as competitors as well. That is why the diversity of competitors is quite high. Exit barriers from the hospitality industry are also high; it is not very easy to close the hotel and buyer’s switching costs are rather low.

For these reasons competitive rivalry within an industry is high. The rivalry between companies means to compete and cooperate simultaneously and, by implication, to get the most out of the business together. But there is still need of rivalry to make companies improve their services continuously 3. Substitutes In case of Scottish hotels the threat of substitution is somewhat high, because of the presence of some cross-product substation such as cheap motels and houses for rent. The substitutes can be in the form of online or actual stores.

This kind of business is continuously growing and continuously changing strategies. Even though person already stays at the hotel does not necessarily means that he or she is more likely to use hotel’s facilities like inbuilt spa or gym than go to the different restaurant, gym or swimming pool. Hotel’s customers like to sightsee and they usually dinner outside the hotel as well. On the top of that resident would not probably go to the restaurant, gym or swimming pool in the hotel if he or she can use similar facilities near his or her home.

This all depends on price and quality of the services provided in the hotel or public facilities. Hence the threat of substitute products exists and it is quite high. 4. Bargaining power of buyers There are different factors that must be considered in analysing the bargaining power of the buyer. First is that the population of the buyers in the industry, the bigger the number of the buyers or customers, the lesser the influence or power of the buyer, because of the fact that the group will be able to focus or target more number of buyers. On the other hand, it is important to focus on differentiation and standardization of the products, in the case of the group, there are different direct and indirect competitors in the hospitality industry, and thus it enables the buyers to have the ability to substitute.

. The bargaining power of buyers highly influences the hospitality industry. 5. Bargaining power of sellers There are many suppliers for the hotel industry in Scotland that dispute the leadership with their pricing and great quality. There are many different suppliers for the hotel: food & beverage, decorations, technical equipment of hotel’s rooms and suites, additional staff for large events, contractors for current hotel’s refurbishment, etc. The biggest supplier is Campbells Prime Meat Ltd which is also the biggest supplier in central Scotland.

Hotel has the standards to meet therefore the product differentiation is not high. Most supply groups make a contract agreement with the hotels as they always have to be approved and they always have to have credit and cash flow in their bank so they won’t bankrupt when some purchasers are late with their payments. Therefore it is quite a problem to find different suppliers for the hotel hence the power of suppliers moderate 6. Outside Porters Five force 1. ComplementorsComplementors are the companies that sell complementary good or services that are compatible with focal firm’s own product of services.

If a complementor’s good or service add value to sale of a firm’s good or service; it is like to create value for the firm. ( Robert E. Hoskisson, Michael A. Hitt, R. Duane Ireland p. 86) The Hotel industry in general is hugely influenced by the complementors.

They can be in a form of product or service which is intended to raise the customer’s loyalty and also adding advantage in the value chain. The hotel comlementors are usually the Travels like air, rail, bus, car van, ferry etc. , facilities like gym, spa. The use of complements helps to gain competitive advantage within the industry but most of times it largely depends on the nature or the complement provided.

If the complement provided over rides the firm’s own product it may affect the firm in few instance and mainly when the complement service is been provided by any other independent supplier. 2. Innovation Innovation is almost always associated with technology; however, non-technological innovation can be also crucial. The large emphasis put on technological innovation in services is also present in the case of the hotel industry.

Technology was predicted to be crucial in improving hotel operations and guest services (Siguaw and Enz 1999). Similarly, it was found that information technology can have a positive effect on customer satisfaction (Powell and Dent-Micallef 1997). Indeed, the advent of internet has changed the way hotels operate.. The study of Buick (2003), for example, revealed that 80% of small Scottish hotels use internet for marketing.

In addition to marketing their activities, hotels may also use the internet forums, where consumers post comments about their experience, as a source of information to improve their services. In addition to technological innovation, innovation in services, in general, and in the hotel sector, in particular, can also be based on human capital and organisational factors (Evangelista and Sirilli 1998). Ottenbacher and Gnoth (2005) 3. Company differentiationAbility to differentiate the product to different customers and incentives to encourage key clients includes the development of different customer loyalty programs or other strategies for attracting and retaining the customers. Jones (Jones in: Buhalis and Costa, 2006) call this differentiation ability brand development.

Because hospitality markets are becoming more and more segmented and the customers have more choice concerning the various types of accommodation and services, the hotel company creates the brands in order to differentiate the hotel from its competitors and that can be easily recognizable and distinct from others. Medlik (1994) does not include this element to the hotel total market concept. Uniqueness can be achieved through service innovations, superior service, creative advertising, better supplier relationships leading to better services, or in an almost unlimited number of ways. The key to success is that customers must be willing to pay more for the uniqueness of a service than the firm paid to create it.

Firms following a differentiation strategy can charge a higher price for their products. The differentiation strategy appeals to a sophisticated or knowledgeable consumer interested in a unique or quality product. 5. Future Strategy to be adopted by Scottish tourism and hospitality Industry There is a tough competition existing in the tourism sector. Every country is seeking for change and innovative and playing different and versatile strategies to get a share in global tourism.

Major destinations across the world are promoting themselves in similar ways; offering similar products; and targeting similar markets including youth, seniors, city-breakers and business tourists. Scotland Tour industry’s criticisms most commonly mentioned were the weather, prices/exchange rate and quality of accommodation, with many comments on the need to improve the quality of the food in eating places generally. Competition for visitors will be stiff, and visitors will expect a warm welcome and can-do attitude everywhere they go. They are likely to be increasingly time-pressured with expectations that their experience will be smooth and any problems sorted quickly. The vast majority of visitors will live within a 3 hour travelling distance of their final destination in Scotland. Easy booking and good access will be crucial.

Visitors will want self-discovery and chances to try new things, and will be ever better travelled and more sophisticated, with an interest in culture and the arts, high and low brow. They will be looking for rich opportunities to experience authentic Scotland, and will be turned off by any hint of a tourist trap. Population changes will mean older visitors, and this will also have an impact on the workforce. The pool of younger talent will reduce, and more of our workforce will be born outside Scotland. However, the ageing population also presents an opportunity through experienced, enthusiastic second careerists and older entrepreneurs. There needs to be a higher level of awareness of what is happening in the marketplace, of consumer trends, what our competitors have to offer, and how this intelligence can be used as a basis for delivering new and improved products and services to the market.

Proper management of the quality of the overall visitor experience, including the quality of our food and accommodation, the quality of the service that is provided to visitors, and the quality of the environment. Key to this will be attracting and developing the skills to deliver this quality. There needs to be a culture of enterprise and innovation across the industry to drive continual investment in new products and services that build on Scotland’s tourism assets and deliver fresh, engaging and distinctive visitor experiences which reflect modern consumer interests; and we need to harness new technology to deliver those products and services effectively. ‘ Access to and around Scotland will be critical, especially in the context of a market largely dominated by short breaks.

Ease of travel must also be balanced, though, with the need to protect the environment which many of our visitors come to see. Finally, our whole approach to tourism development must be sustainable – economically, socially and environmentally. Otherwise, the efforts to grow the industry could result in a significantly underperforming industry by future. 6.

CONCLUSION The Scottish tourism is one of the major economic and employment providers for Scotland. Tourism industry is growing in a rapid rate around the globe and there is a tough competition for Scotland tourism and hospitality industries. The above said indicators provide the details of strength, weakness opportunities and threat for the industry. Reading out the market and its forecast is very vital which helps to design a strategy that will overcome the constraints. And the strategies above mentioned gives idea for how the industry must approach in future to gain more profit from the Globalisation and tourism market.

This will not only boost up the country’s tourism and economy but also will put the Scotland in the Global map underpinning for Tourism which triggers many positive chain reactions benefiting the County as whole.