

ITM 2311

Tour Business Management

Unit 3: Supply of Tour Business

- Concept of supply chain
- Supplies of tour business
- Tourism value chain

Objectives

- Define the concept of supply chain.
- Define the concept of tourism supply chain.
- Explain the linkage of the supplies of tour business in creating tourist experience from the pre- trip to post- trip stage.
- Define the concept of value chain, tourism value chain and its significance in today tourism business.
- Identify to design value chain for tourism products/ experience.

1. Concepts of Supply Chain

1.1 Definition

- **Macro economic:** a network of enterprises which are engaged in different functions ranging from the supply of raw materials through the production and delivery of the end product to the target customers.
- **Micro economic:** a network of nodes which perform functions such as procurement of raw materials, fabrication of parts, assembly of components and subassembly, final assembly of end products and delivery of finished products to regional distribution centers/ customers

- Managing flows and storing of products from *point-of- origin to point- of- consumption* (from producers to consumers).
- Managerial act of focal firm to the chain of supply, which requires effective management for the suppliers' works from production sources (i.e. factory/ destination where products are produced), involved companies (i.e. intermediaries), and distributors until the finished product reaches consumers, and consumers should be satisfied.

Absolute goal

“to respond quickly to customers’ needs”, and “to cooperate and work together closely for customers’ satisfaction towards products and services”.

Highest profitability

Satisfying end customers

Satisfying partnerships

Satisfying internal people



**Business
sustainability**

- Flow and storage (storing/ keeping) of production materials (raw materials) and finished products
- Flow of information

Discussion time

Question:



How can the above be discussed in the context of tourism? What may be of concern?

1. Concepts of Supply Chain

1.2 What involve?

Effective or ineffective supply chain can be characterized by this flow. It is comprised of 7 main business processes:

- 1 Customer relationship management
- 2 Customer service management
- 3 Demand management
- 4 Order fulfillment
- 5 Manufacturing flow management
- 6 Procurement
- 7 Product development and commercialization

- Customer relationship management: a system for managing a company's interactions with current and future customers
- Customer service management: ways to ensure that the needs of customers are being satisfied, by providing excellent customer service and promoting this idea throughout the organization
- Demand management: a planning methodology used to manage and forecast the demand of products and services
- Order fulfillment: the way firms respond to customer orders
- Manufacturing flow management: managing flow in activities in the supply chain in order to move products through the plants, and facilitating manufacturing flexibility

- Procurement: the acquisition of goods, services or works from an external source
- Product development and commercialization:
 - Product development:

The creation of products with new or different characteristics that offer new or additional benefits to the customer.

It may be the modification of an existing product or its presentation, or formulation of an entirely new product that satisfies a newly defined customer want or market niche.

- Commercialization: the process or cycle of introducing a new product or production method into the market



1. Concepts of Supply Chain

1.3 Tourism Supply Chain

Defined as:

A chain of tourism industry that comprises the suppliers of all the goods and services that go into the delivery of tourism products to consumers

A tourism supply chain (TSC) can be defined as a network of tourism organizations supplying different components of tourism products/ services such as flights and accommodation for the distribution and marketing of the final tourism products at a specific tourism destination, and involves a wide range of participants in both the private and public sectors

Tourism supply chain explains about:

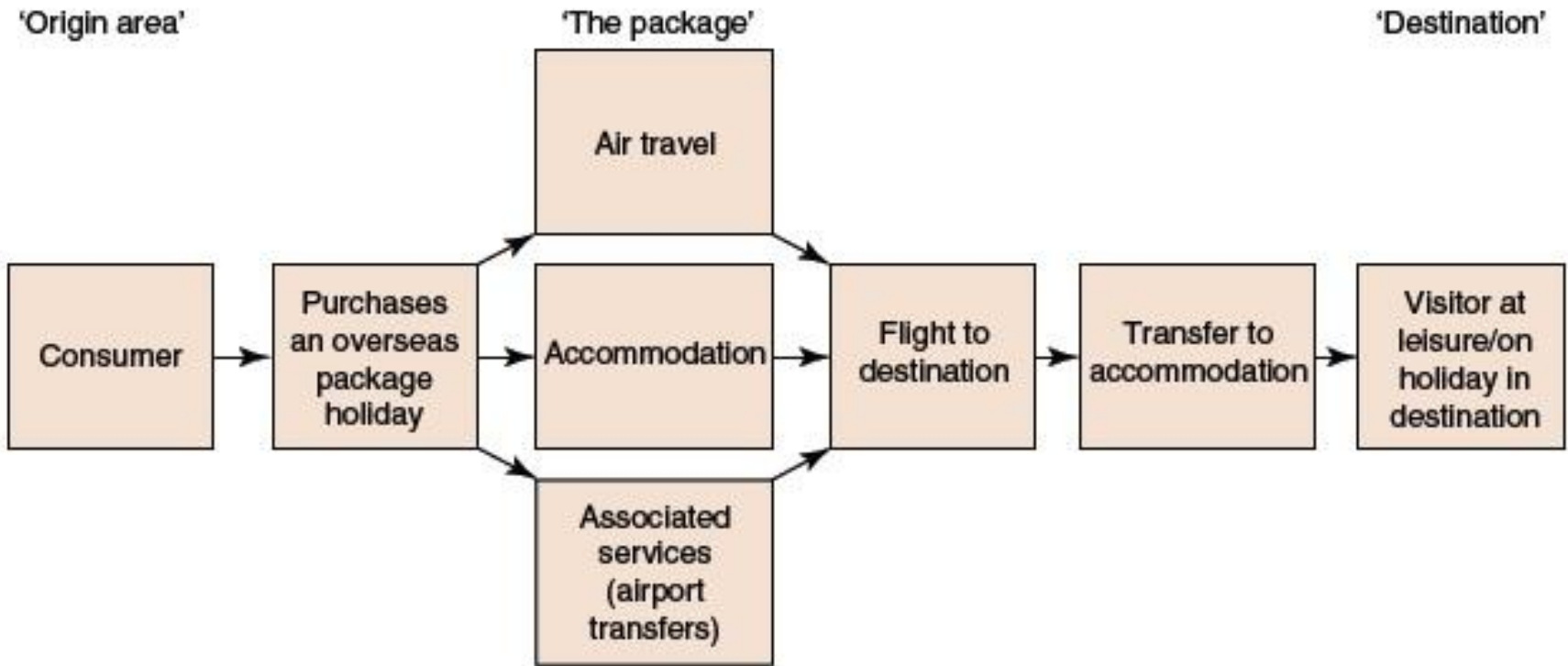
how different businesses enter into contractual relationships to supply services, products and goods, and how these goods are assembled into products **at different points in the supply chain.**

The goal of tourism supply chain management

- to reduce overall supply chain cost
- to maximize profits and values
- To improve the service quality by shortening response time and building good business relationships

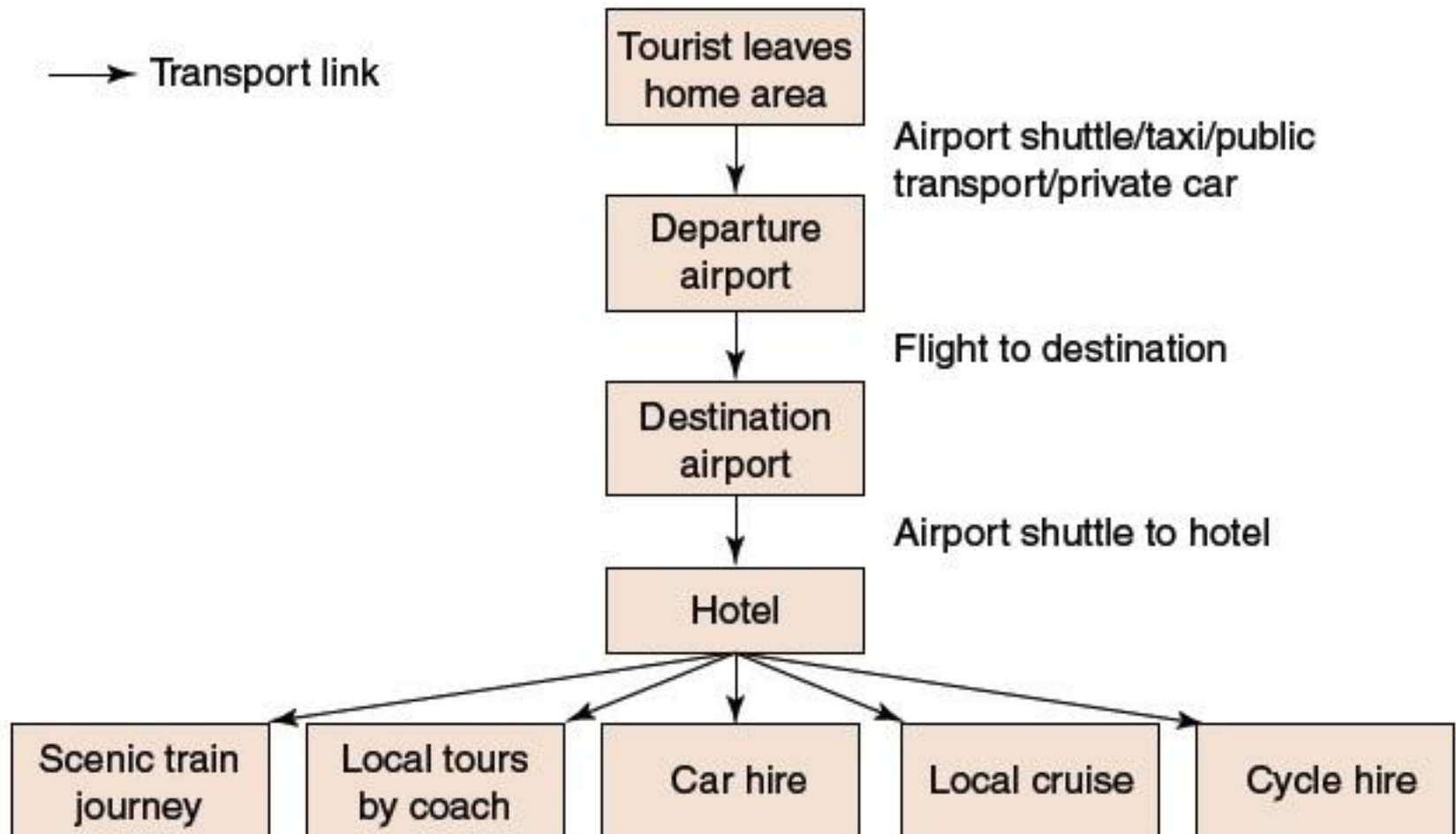
These goals are fabricated within strong coordination in the chain.

Typical Tourism Supply Chain



Tourism industry involvement	Travel agent online booking or direct telephone booking	Tour operator assembles the product	Airline airport services (luggage handling)	Airport transfer/taxi	National Tourism Organization hotels, restaurants, visitor attractions, car hire companies, tour representative, tours, visitor safety (hospitals, doctors)
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Transport in the Tourism Supply Chain



Challenges in the tourism supply chain

- A gradual reduction in the length of main holidays;
- A rise in the number of additional (second and third holidays);
- Increasing demand for activity holidays;
- Greater flexibility among consumers willing to book last-minute holidays, seat-only sales / room-only sales, and more short breaks; and
- The rise of self-packaging of products online ('dynamic packaging').

2. Suppliers of Tour Business

2.1 What components in tourism do consumers consume? Pre-trip, during-trip and post-trip consumption

Customer Journey

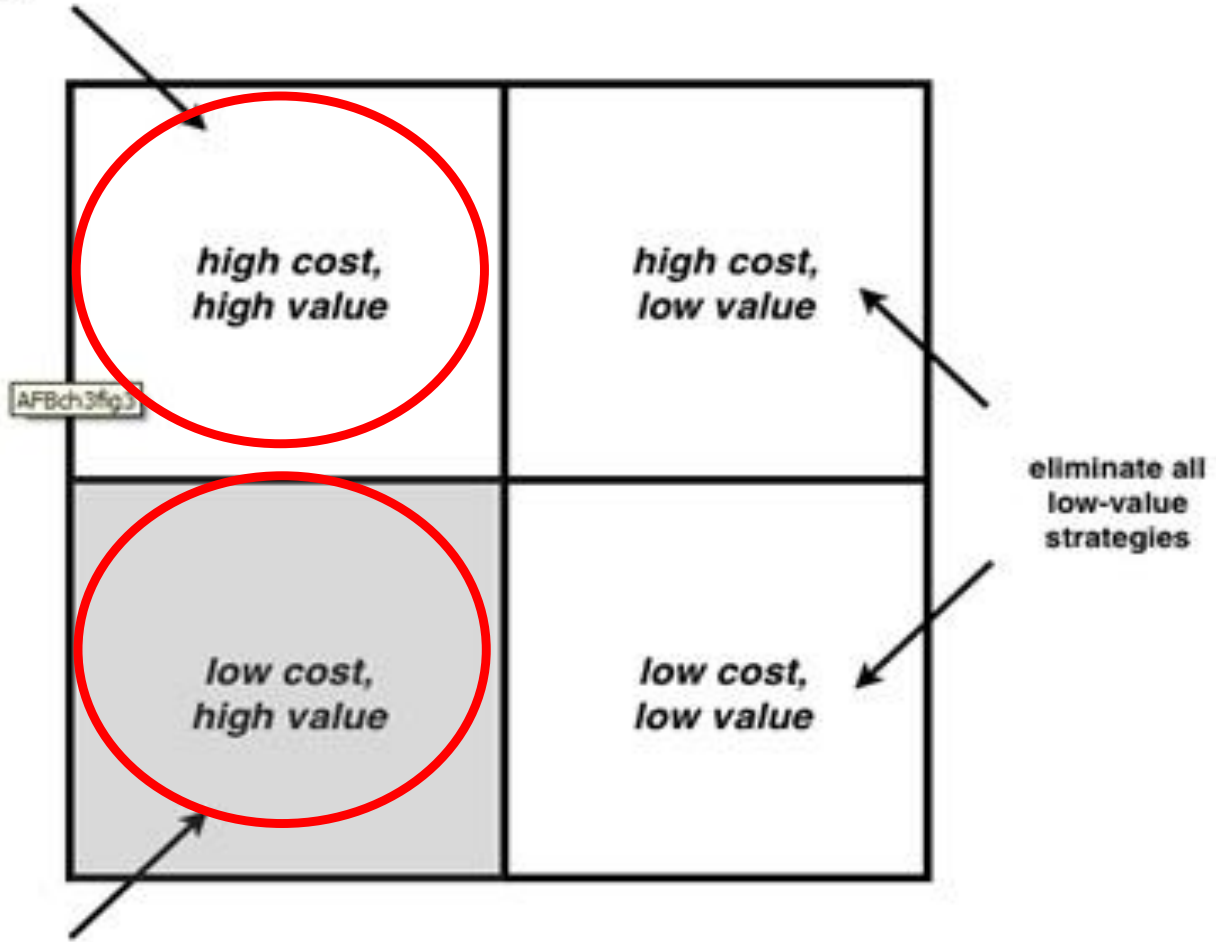
THE CUSTOMER JOURNEY	PRE-JOURNEY PLANNING		TRAVEL ----- Touring -----	DESTINATION(S) ----- In transit -----	RETURN HOME
STAGE IN THE VISITOR JOURNEY	LOOK	BOOK	TRAVEL	STAY	KEEP IN TOUCH
VISITOR INFORMATION NEEDS AND SOURCES – OPPORTUNITIES FOR THE TOURISM INDUSTRY TO ENGAGE WITH TOURISTS DURING THE CUSTOMER JOURNEY	<ul style="list-style-type: none"> • Destinations to visit • Key influences: <ul style="list-style-type: none"> - word of mouth - media - tourist board websites - travel agents and tour operator brochures and websites • Online travel guides (e.g. Lonely Planet) • TripAdvisor and consumer websites 	<ul style="list-style-type: none"> • Internet • Travel agents <ul style="list-style-type: none"> - virtual - high street locations - call centres 	<ul style="list-style-type: none"> • Information on airports/travel to • Car hire • Tourist board websites and offices • Government sources (consulates) • Options for touring/activities in destination 	<ul style="list-style-type: none"> • What to do in the destination to be obtained via: <ul style="list-style-type: none"> - TICs - websites - leaflets/brochures - local service providers - hotel concierges - travel guides and online sources (mobile devices) 	<ul style="list-style-type: none"> • Information to encourage a repeat visit: <ul style="list-style-type: none"> - e-newsletter - direct mail - brochures - advertising - special events - special offers and new products

3. Tourism Value Chain

3.1 Definition

- Developed by Michael E. Porter
- Used as a guideline to gain competitive advantages above competitors in every division of works in business process.
- Companies need to show that they can create and add product value for their consumers, and consumers can perceive or realize that value.
- Consumers' perception and realization of product value is the factor influencing them to buy products.

minimize high-cost,
high-value strategies



the sweet spot

Goals of value chain

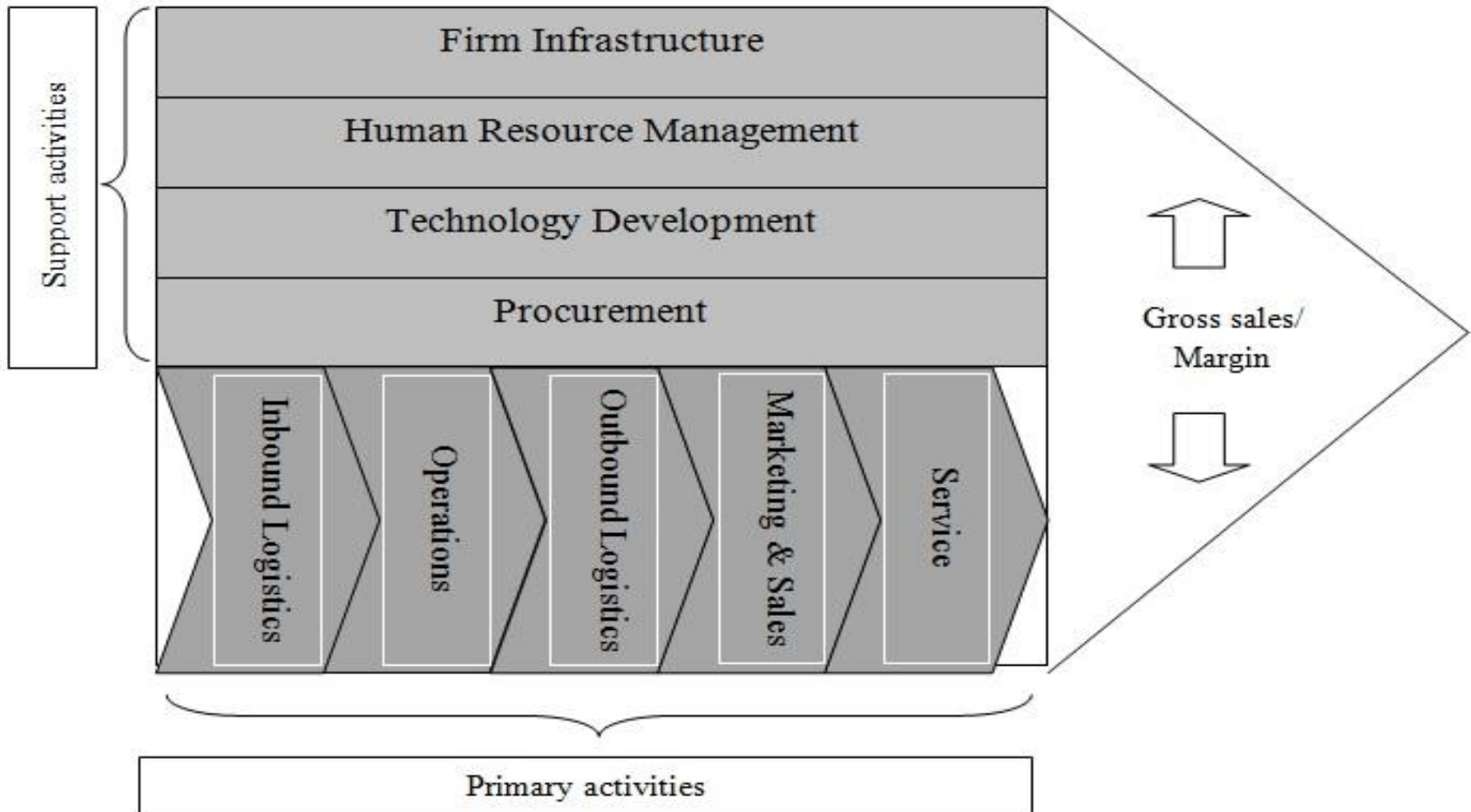
- To be able to compete with other companies
- To increase profits for companies
- To help companies to grow with sustainability

Value chain is in every division of works of organizations. Each work has to be part of creating and increasing value to products, while reducing production cost. This is why we call “value chain

3. Tourism Value Chain

3.2 Porter's Value Chain

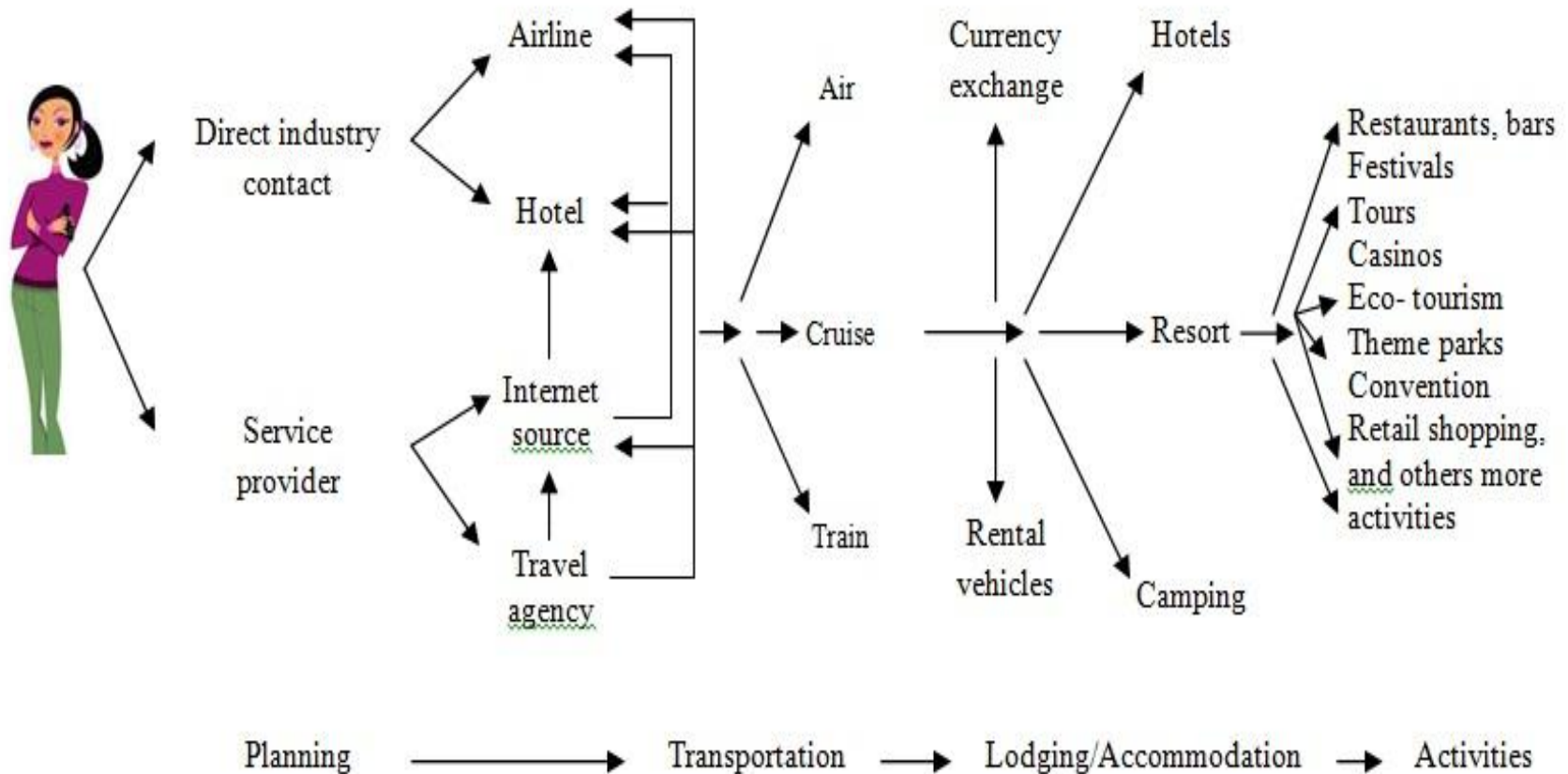
Value chain divides activities that create product value into (1) *primary activities*; and (2) *support activities*.



“Value-driven strategy” through “value innovation” is based on 3 assumptions:

- (1) *Operational excellence***- reliable products/ services at competitive prices, delivered with minimal difficulty and inconvenience, e.g. an airline that flies people to destinations at realistic prices and with few or no delays;
- (2) *Customer intimacy***- precisely tailored offerings for niches, e.g. 18- 30 holidays which do not interfere with the enjoyment of families or senior citizens;
- (3) *Product leadership***- offering leading- edge products and services that competitors have difficulty catching up with.

Tourist- driven supply chain for a travel experience



Individual Paper (1 A4 in length) (10 marks)

You are assigned to do self- study on the following items of the business processes in the supply chain. You will be given one item.

- Customer relationship management
- Customer service management
- Demand management
- Order fulfillment
- Manufacturing flow management
- Procurement
- Product development and commercialization

Think, search and discuss what the selected item means in tour business management, and how it can be implied and used in the tour business management. Please elaborate your idea with examples from relevant websites. References are needed.

(Submission on 1 February 2018, morning)