



**TRM 3305**  
**LOGISTICS AND SUPPLY**  
**CHAIN MANAGEMENT IN**  
**TOURISM**  
**Credit 3(3-0-6)**

# Unit 1 Introduction

## Topic

- Globalization and development of logistics
- Definition of value chain
- Definition of logistics and supply chain
- Importance and role of logistics

# Objectives

Students should be able to:

- Describe about globalization or global evolution that has changed the world's economic principle.
- Explain what value chain is.
- Explain what supply chain is.
- Explain what logistics is.
- Explain differences between value chain, logistics and supply chain.
- Explain importance and roles of logistics.

# GLOBAL EVOLUTION

After the World War II, political and economic changes had been occurred. Communism disappeared, with an emergence of capitalism almost all over the world. It is this capitalism that has driven the world's economics. There are more trades and investments and the world has opened for more freedom.



## Factors of these drives

- (1) Higher level of trade opportunities and threats both within country and international level, and both in micro economics and macro economics
- (2) The world today: More opportunities and threats are driving the world's economics and finance.
- (3) Changes of the global economic principle: The world in the past is different from the world today

# Factors

More services and investment across the world (international trading of goods and services)

Symbols of material cultures and product- consumerism drive the world to be a global village where the world's population almost like the same things, do the same things or consume the same products such as Iphone, Coca Cola

Production factors are from various sources of raw materials across the world, then goods are produced and spread across the world;

Forces of international organizations such as WTO, international meetings on economics such as G-20 influence on the world's liberalization for trades and investment;

Economic policy of a country or many countries can lead to the global or regional financial crisis due to the fact that the world now is very interdependent such as Subprime crisis in U.S.A or financial crisis in Asia;

There still are people living with poverty, sickness, and the environment is getting worse- therefore there are people who act against the globalization.

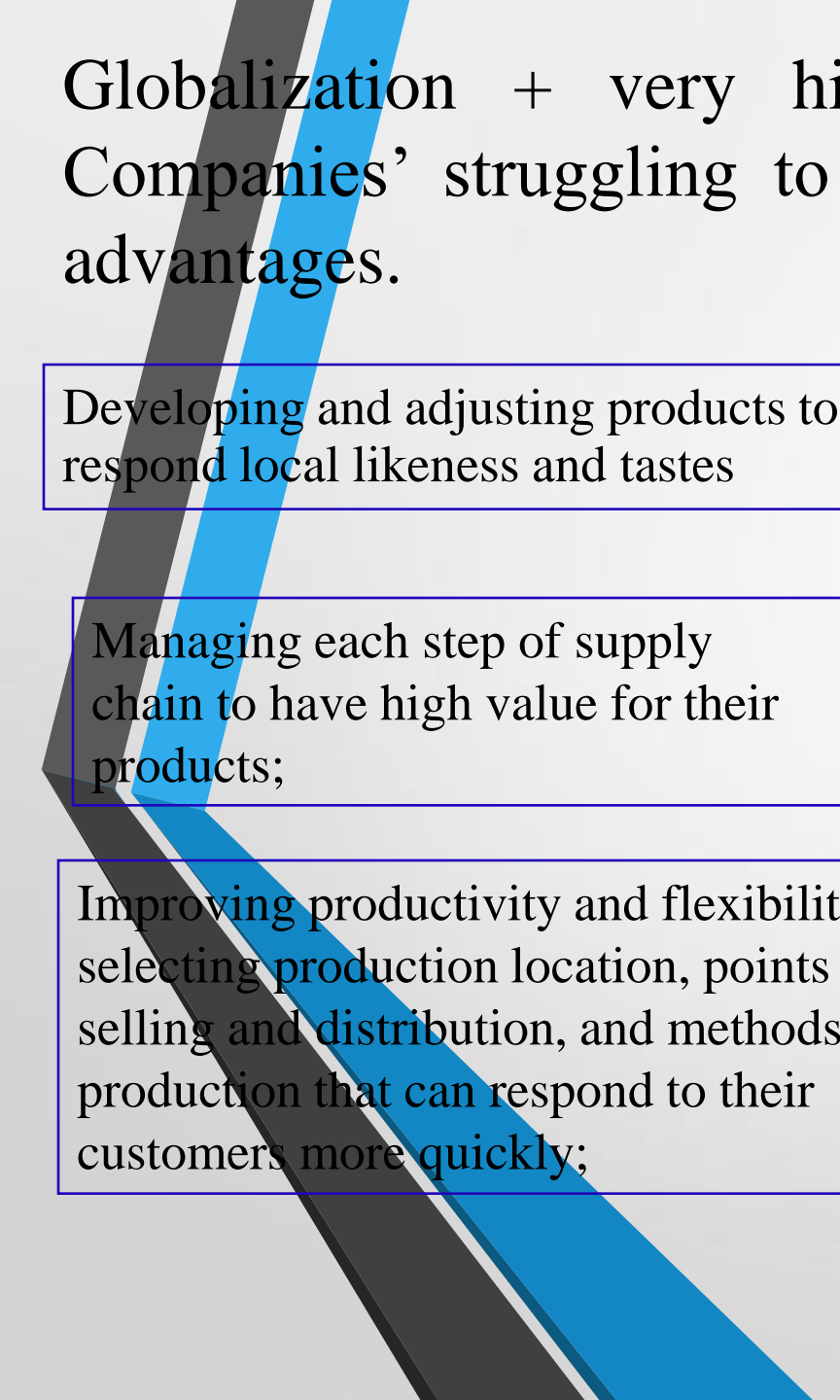
**In the past**



- Countries were separated from the world trades and investments;
- Countries locate in a big distance and in different regions;
- There is a big difference in time;
- Countries have different cultures and languages;
- Countries have different economic systems; and
- Countries have different governmental disciplines and regulations.

**The world's countries today have less difference by:**

- Opening of free trades and investments;
- Transport technology; and
- Information and communication technology.



Globalization + very high competitive environment.  
Companies' struggling to survive and gain competitive advantages.

Developing and adjusting products to respond local likeness and tastes

Managing each step of supply chain to have high value for their products;

Improving productivity and flexibility by selecting production location, points of selling and distribution, and methods of production that can respond to their customers more quickly;

Managing logistics activities with lower cost and faster response to their customers;

Managing appropriate market segmentation and marketing mix for different markets;

Managing and re-organizing organizational structure that can support competition strategies and that is easy for administrating in running business process.





Let's watch some VDOs  
about logistics and supply  
chain management



*Love Logistics-A life without logistics.*

[https://www.youtube.com/watch?v=vj6n\\_2MCR9E](https://www.youtube.com/watch?v=vj6n_2MCR9E)

English Vocabulary for Supply Chain Management 1

<https://www.youtube.com/watch?v=hupFY8lGE6s>

English Vocabulary for Supply Chain Management 2

[https://www.youtube.com/watch?v=\\_OwKCTsRFpo](https://www.youtube.com/watch?v=_OwKCTsRFpo)



Form a small group.

Then watch these VDOs about logistics, and after watching all VDOs,

- (1) Help together to get possible keywords/ key terms that mainly reflect the meaning and the definition of logistics, including the goal of logistics management
- (2) Brainstorm to conclude what logistics is about in a paragraph with an example of a manufactured product.

# DEFINITION OF LOGISTICS

## What is logistics?

- Management of logistics involves activities that support production and distribution of finished products/ goods.

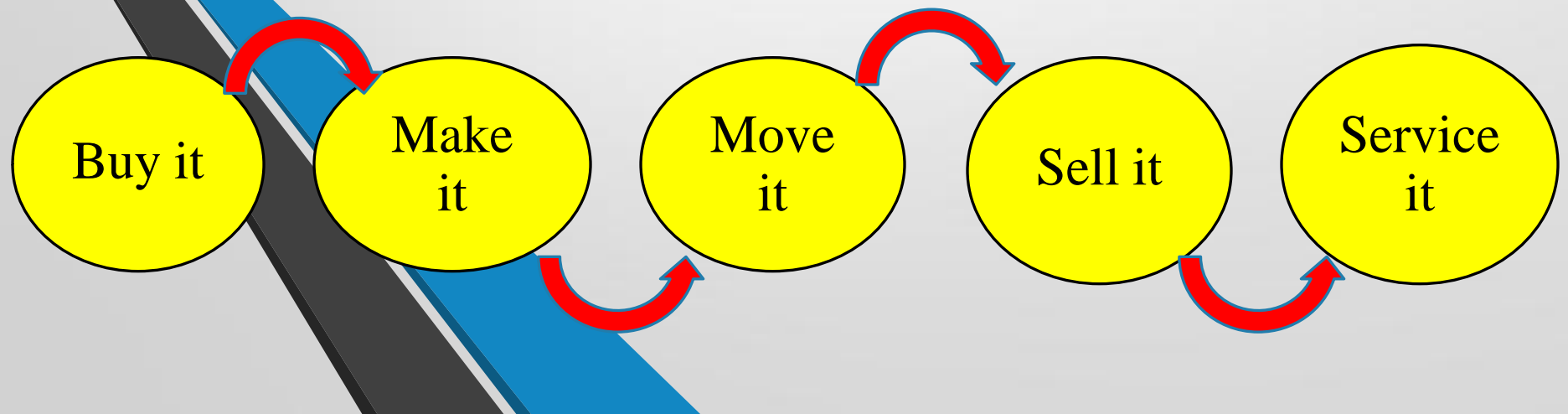
Procurement

Keeping/ Storing

Movement  
(Transportation)

Delivering

- Logistics is a process and tool that businesses use for creating value for products and services and responding needs of customers
- Companies or organizations will need to have effective and efficient logistics management by managing all logistics activities with low cost, while making customers to be satisfied with products and services.



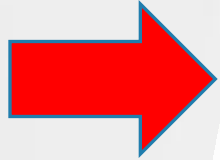
# Logistics and supply chain cover activities related with:

Flow of production

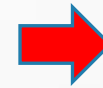
Storage of production materials (i.e. raw materials/ parts)

Flow of information





- Focal firm
- Suppliers and other partners
- Logistics service providers



- Customers

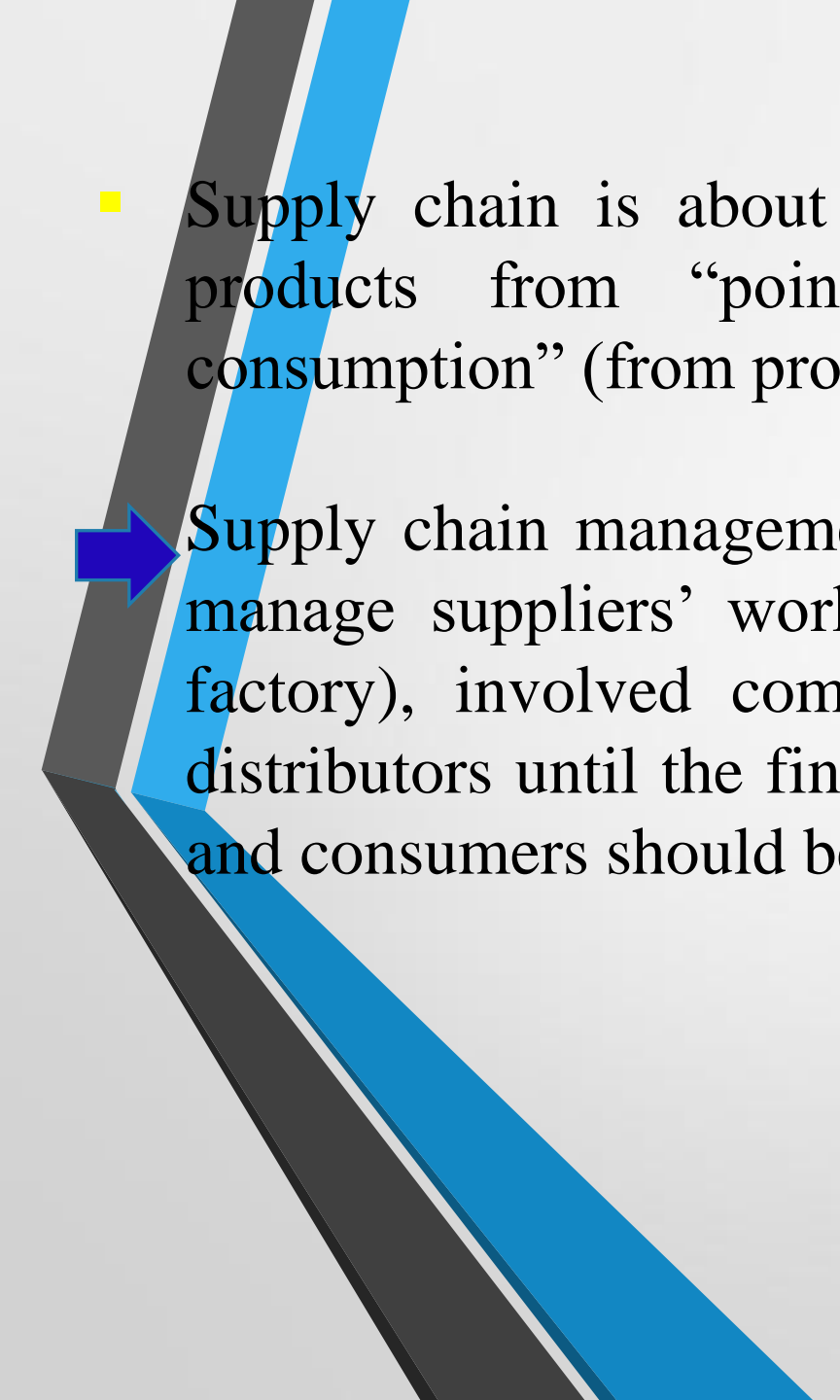
*(1) “to increase product value with effectiveness”, (2) “to respond quickly to customers’ needs”, and (3) “to cooperate and work together closely for customers’ satisfaction towards products and services”.*



# Differences between logistics and supply chain

- Logistics is about “flows” of products and service, and storing of production materials (raw materials) and finished products, and about information related.
- ➔ The goal of logistics is making the total logistics cost as low as possible, while still satisfying customers in the service.



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- Supply chain is about managing flows and storing of products from “point- of- origin to point- of- consumption” (from producers to consumers).

➔ Supply chain management of focal firm is to effectively manage suppliers’ works from production sources (i.e. factory), involved companies (i.e. intermediaries), and distributors until the finished product reaches consumers, and consumers should be satisfied.

# Keywords of each term

Higher profitability and satisfaction of all

Value chain



Competitive strategy

Product value added

Product and service innovation

Logistics



Physical flow

Information flow

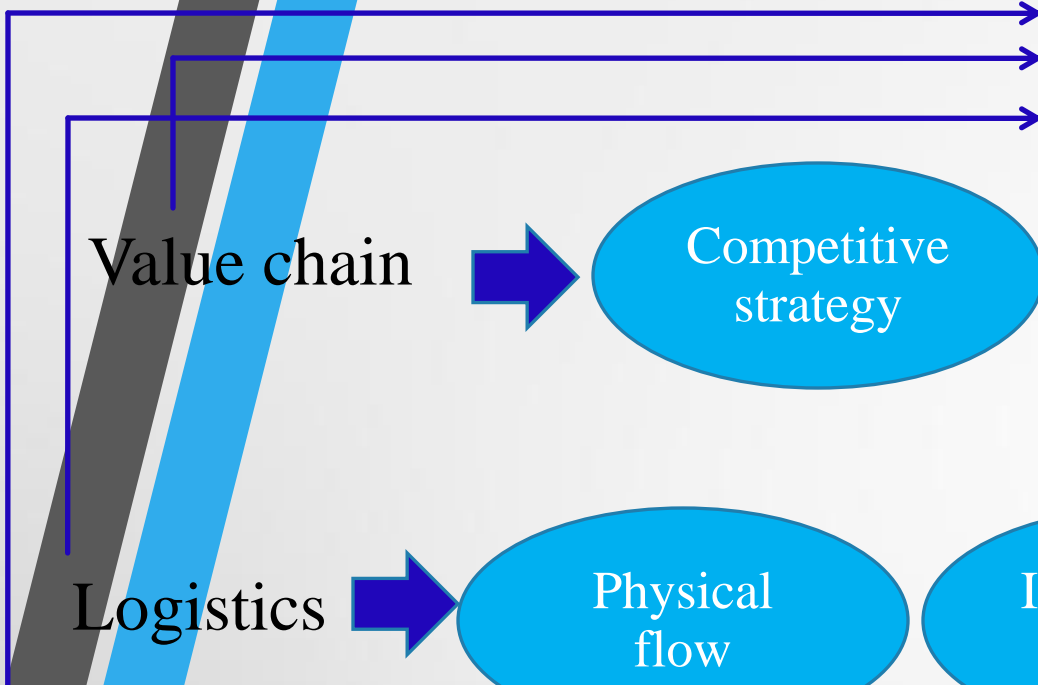
Lower logistics cost

Supply chain



Focal firm management of stakeholders / suppliers


Flow management from point-of-origin to point-of-consumption



# IMPORTANCE AND ROLE OF LOGISTICS

## Importance of logistics

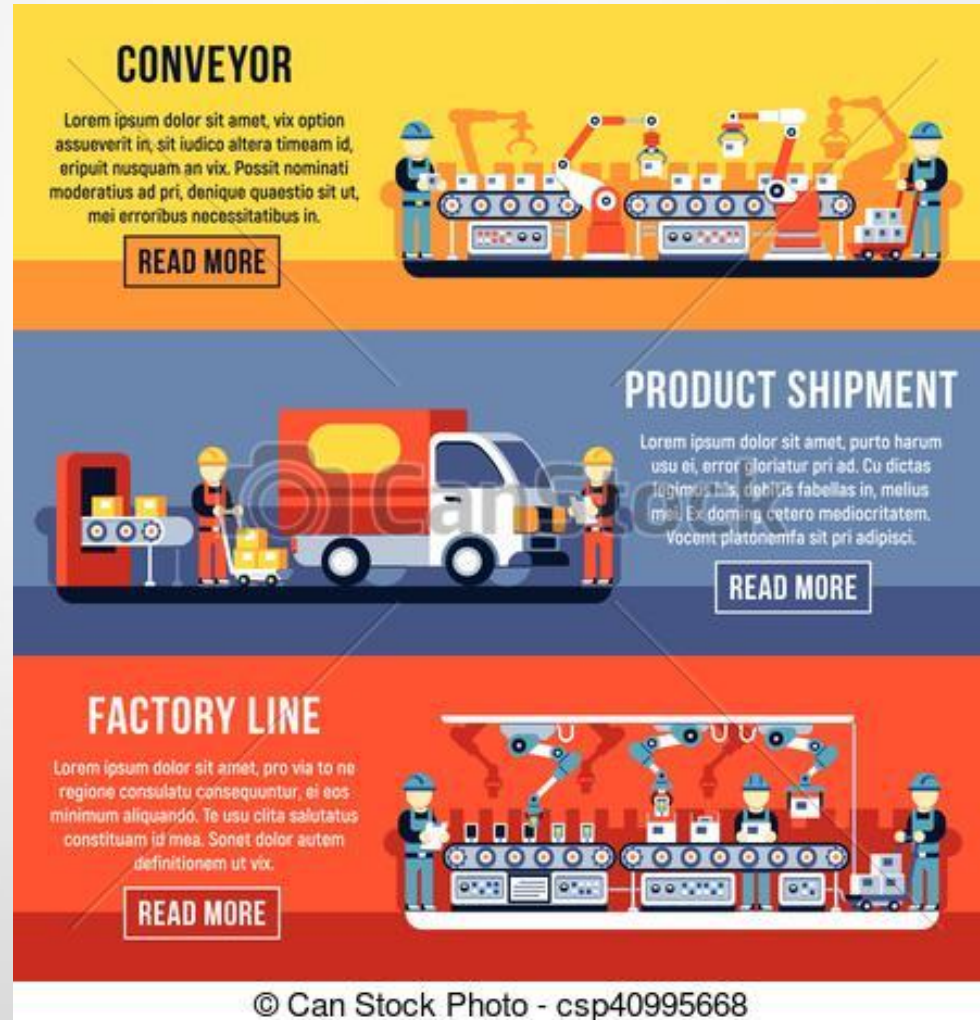
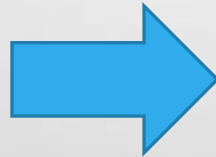
- Raw materials and finished products at present day come from various sources of the world.
- Patterns and ability to transport raw materials and finished products (big or small scale) has been changing depending on an advance of transportation.
- Population has moved from rural to urban areas and to business centers. It is “not necessary” anymore that people live near production centers, or productions take place near residence centers.
- The geographical distance between the production point and consumption point increased.



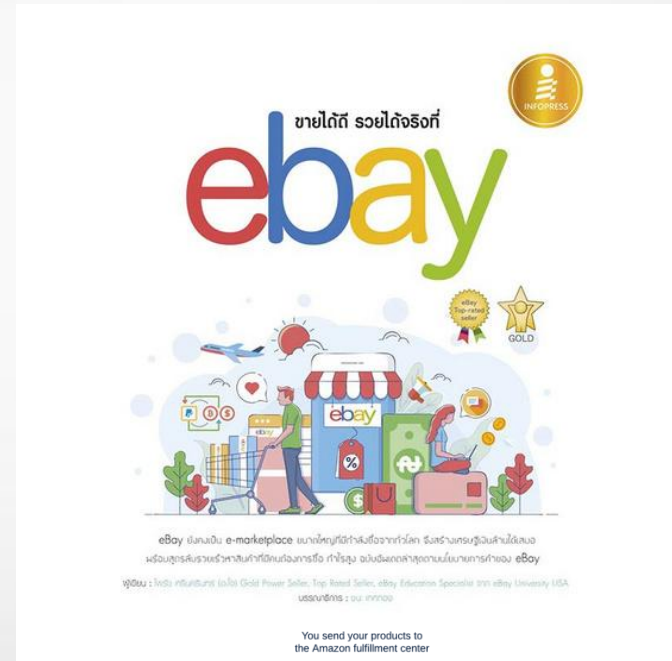
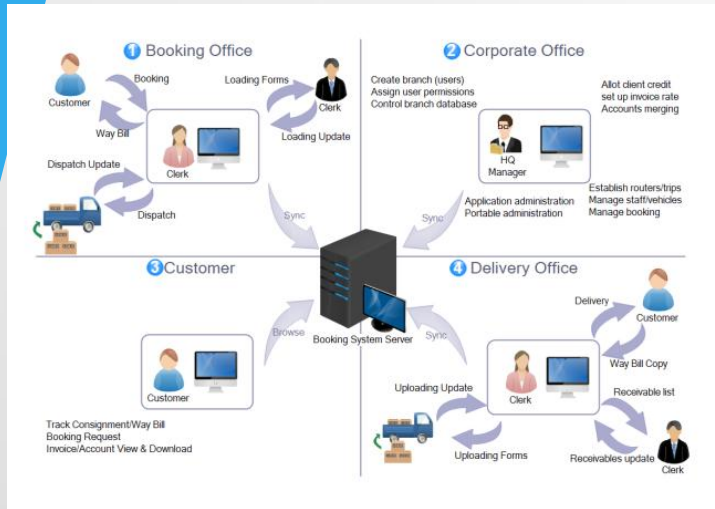
**Finally, logistics facilitates producers, suppliers, distributors and customers to get the right materials, at the right time, at the right point and in the right condition at the lowest cost.**

# Role of logistics in each work

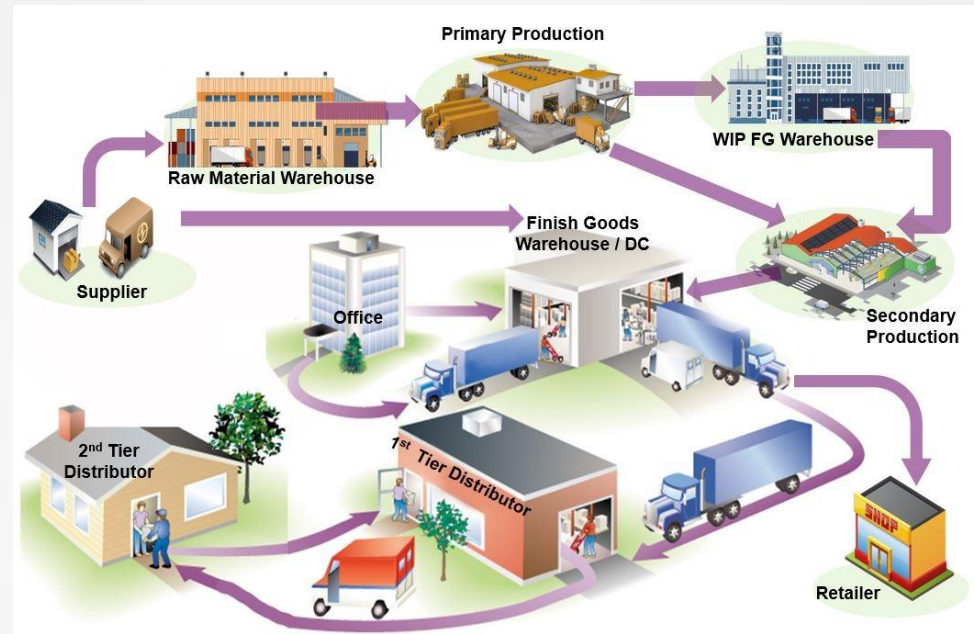
➤ In terms of production, *logistics supports in transforming raw materials into finished products with utility. Without logistics, production cannot occur.*



➤ In terms of marketing, *logistics supports as marketing tool to help consumers possess and use products. Without logistics, many marketing activities cannot be successful or run smoothly.*



➤ In terms of logistics itself, it is to transport products in the right time (the time in which consumers want products), and to the right place (the place where there are people who want to use products).



This can be explained in 4 types of utility:

Form utility

In production process management: from raw materials to finished goods

Place utility

In distribution management: from factories to distribution centers to retailers/ wholesalers to consumers (to where there is still demand)

In inventory management: Just- in- time (JIT system) of purchase demands (ordering, purchasing, receiving products)

Time utility



Possession utility

In marketing and sales promotion process: fast ordering, purchasing, receiving products—“order fulfillment”), creating customers’ demands to possess products



Form utility is created by the production process, but marketing creates place, time, and possession utility.

**Wanted:**

One pair of size 8 shoes  
in Duluth, immediately.  
Will pay \$50.

Form utility

Place utility

Time utility

Possession  
utility

**CAN SATISFY THE  
NEED WITH:**

Size 8 shoes

Size 8 shoes in Duluth

Size 8 shoes in Duluth  
available now

Size 8 shoes in Duluth  
available now for \$50

**BUT CANNOT SATISFY  
THE NEED WITH:**

Size 10 shoes

Size 8 shoes in  
Los Angeles

Size 8 shoes in Duluth  
available next month

Size 8 shoes in Duluth  
available now for \$80

# VALUE CHAIN

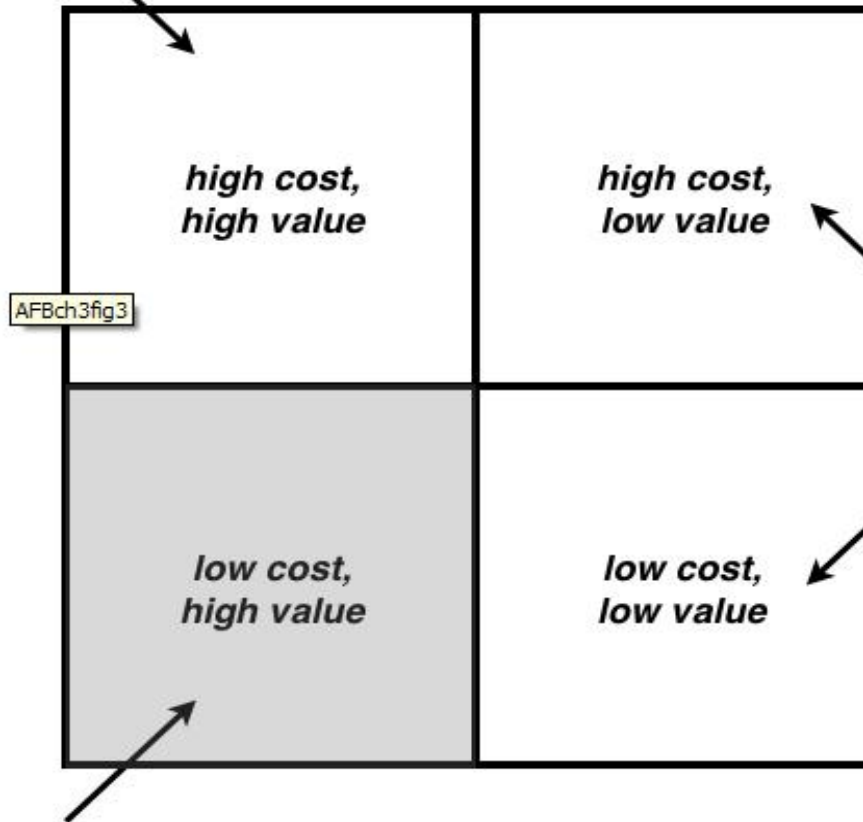
- Used as a guideline to gain competitive advantages above competitors in every division of works in business process
- Creation of product should be able to show value that can be perceived by consumers
- Consumers' perception and realization of product value is the factor influencing them to buy products



Michael E. Porter

# VALUE CHAIN

minimize high-cost,  
high-value strategies

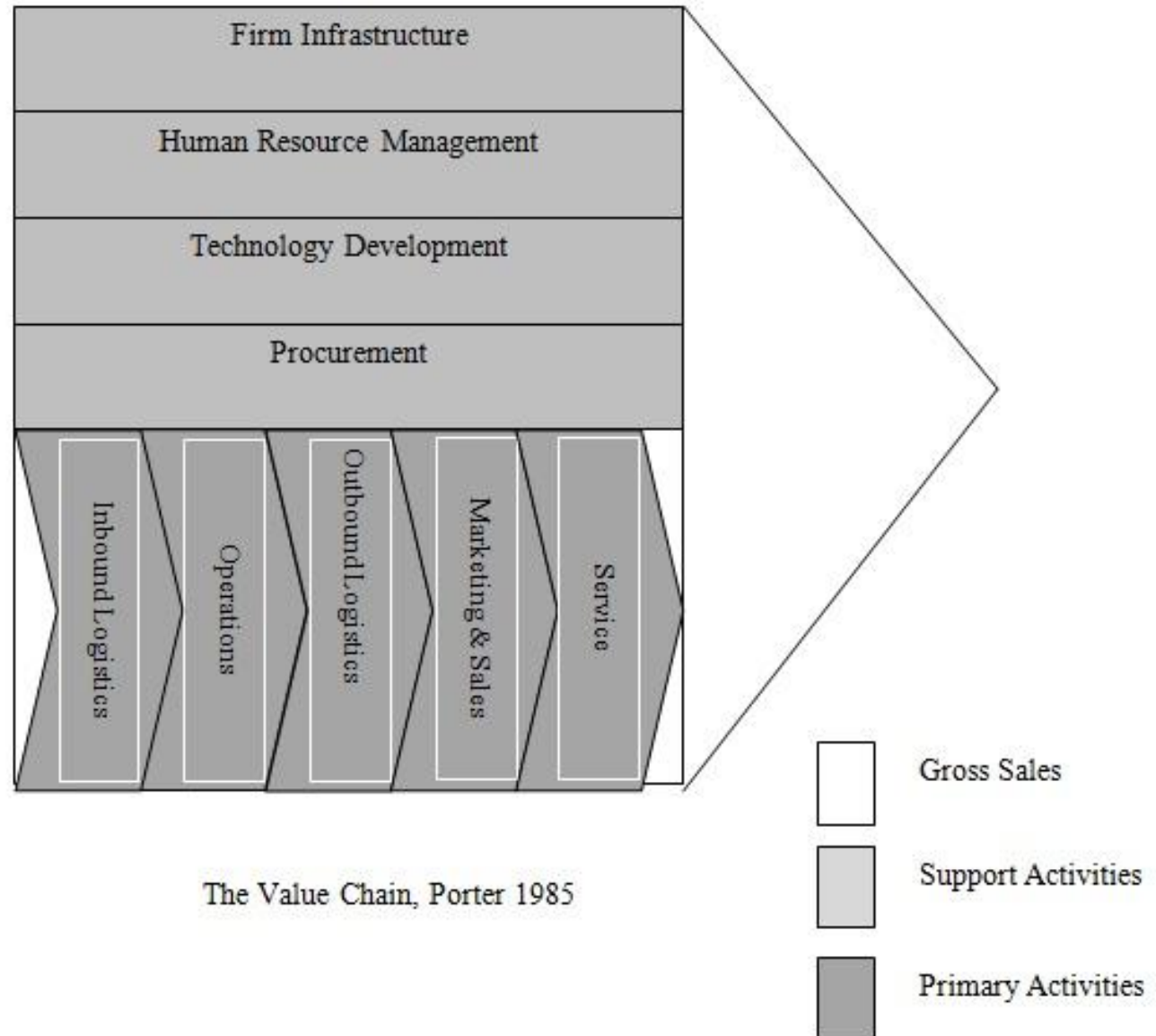


eliminate all  
low-value  
strategies

the sweet spot

Michael E. Porter divided activities that create product value into:

- (1) primary activities
- (2) support activities



# Value Innovation

- ***Operational excellence***- reliable products/ services at competitive prices, delivered with minimal difficulty and inconvenience, e.g. an airline offering flight to destination with realistic prices and with few or no delays;
- ***Customer intimacy***- precisely tailored offerings for niches, e.g. 18- 30 holidays which do not interfere with the enjoyment of families or senior citizens; service with intimate care for clients/customers
- ***Product leadership***- offering leading- edge products and services that competitors have difficulty catching up with' offering product and service propositions with breakthrough or groundbreaking technology

# Tourism Supply Chain

*“A chain of tourism industry 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.”*

**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

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

- Reducing overall supply chain cost
- Maximizing profits
- Improving the service quality
- Shortening response time
- Building good business relationships

To achieve these goals, strong coordination in the chain is critical.

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

Figure 1 Customer Journey



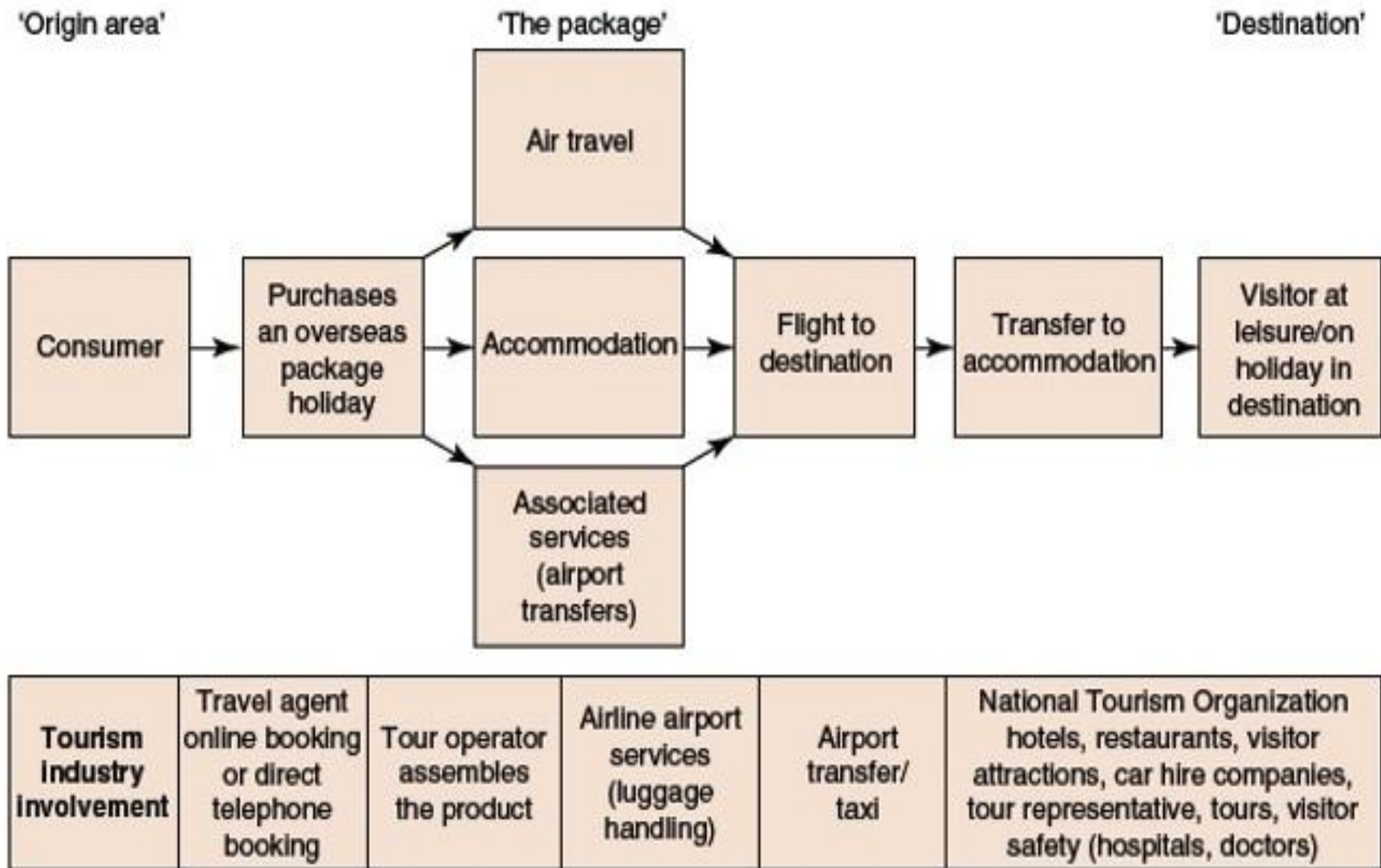


Figure 2: Typical Tourism Supply Chain

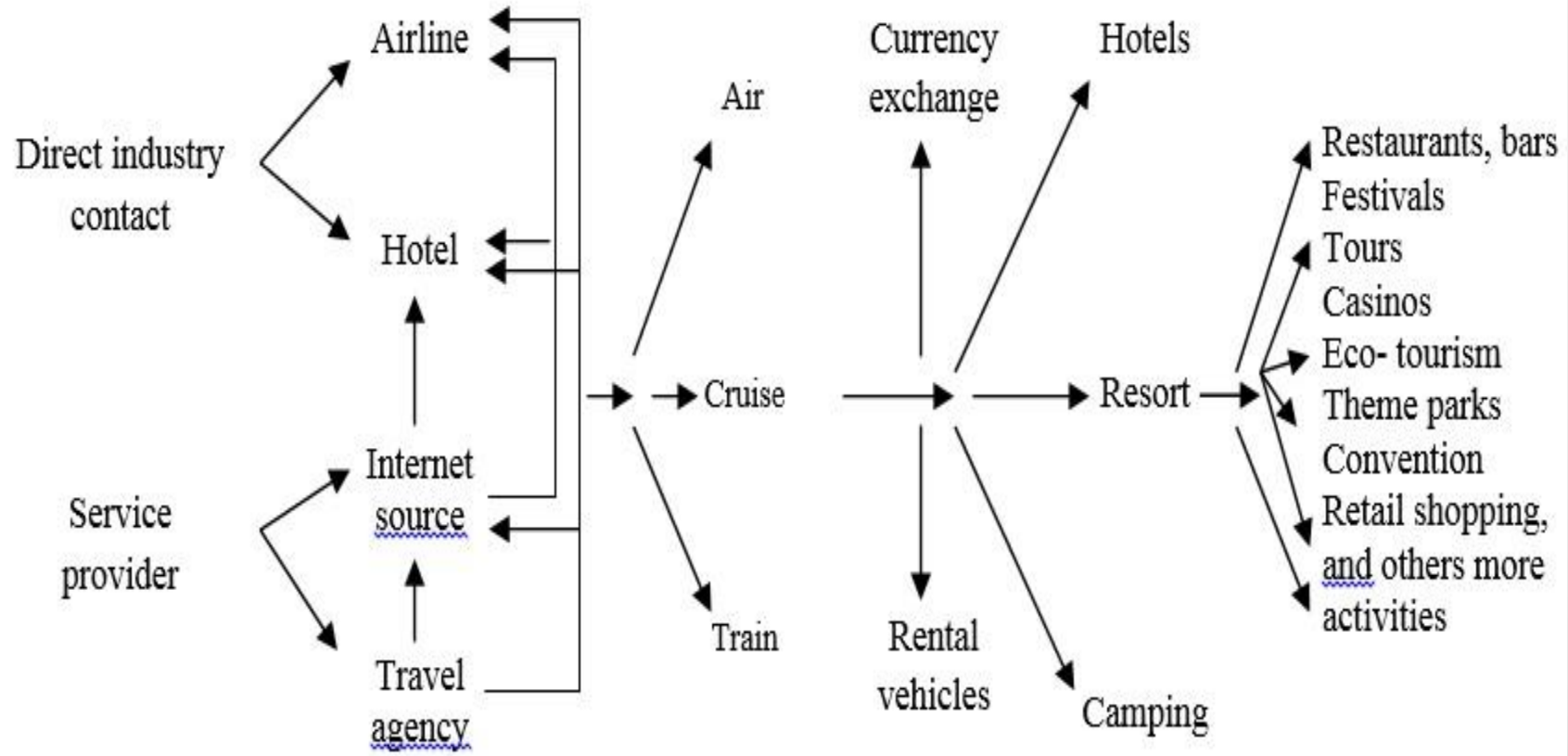
# The tourist- driven supply chain for a travel experience

Explain that tourists have to go through many stages from the decision to take a holiday to experiencing it at the destination.

At each stage, the tourist can have a negative or positive experience which can contribute to a “gain or loss” in perceived value.

The value chain concept can be applied to tourism. Tourism is experienced at the point of consumption, i.e. the destination; therefore it cannot be brought back home.

The tourist product is experienced in the marketplace. The “value-added” by a tourism product is likely to be manifested by an increase of enjoyment of the experience for a tourist.



Planning → Transportation → Lodging/Accommodation → Activities

# Task at Home No. 1:

## Individual Assignment (Paper):

- Study a supply chain of a service
- Draw a picture that illustrates its supply chain
- Write to explain.
- Time New Roman 12, spacing 1.5, align paragraph to both left and right margin.