CENTRE FOR ENTREPRENEURSHIP, SMEs AND LOCAL DEVELOPMENT
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GLOBALISATION, SMES AND TOURISM DEVELOPMENT

Case study: Enhancing the Role of Australian SMEs in Global Value Chains

Industry Overview

Tourism is defined as the 'activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited'.[1] Tourism activities are primarily undertaken by a variety of service industries. Australia's tourism sector consists of over 350 000 tourism related enterprises, spread across a wide range of activities and producing a diverse range of products.[2]

Tourism in Australia is a $73 billion industry.[1] It makes a significant contribution to both Australian society and the national economy. In 2003-04, the direct contribution the tourism industry made to the Australian economy totalled $32 billion,[1] 3.9% of Australia's gross domestic product.[1] Direct contribution to national exports totalled $17 billion,[1] or 12.1%. However, the growth of international tourism has declined in recent years, reflecting the impacts of major international events such as the terrorist attacks of 11 September 2001, the SARS outbreak and the war in Iraq, before regaining momentum from 2004 and sustaining this to the present day.

Tourism makes up 5.6% of total Australian employment.[1] The tourism industry is directly responsible for employing around 536 000 people[1] and indirectly employs a further 380 000.[1] Regional tourism accounts for around 185 000 jobs.[2] Employment in tourism is characterised by a diverse range of skills. It employs a substantial number of young people and people from non-English speaking backgrounds, with the majority of jobs in the tourism industry being in the retail trade and accommodation sectors. The tourism industry primarily consists of small and medium-sized enterprises (SMEs), with more than 90% of businesses employing fewer than 20 staff.[2]

Industry concentration is dependent on the popularity of the tourist destination. Of all international visitors in 2004, 56% visited New South Wales, 43% Queensland, 27% Victoria, 12% Western Australia, 7% the Northern Territory, 7% South Australia, 3% the ACT and 2% Tasmania.[3] Almost 70% of Australian domestic tourists chose their own State/Territory as their destination.[4]

Nature-based tourism and ecotourism are also key components of Australian tourism and prime attracters of international tourists. In 2004, almost 40% of all international tourists to Australia visited national or state parks.

Tourism in the Gold Coast

The Gold Coast, located in subtropical southern Queensland, is an important tourist destination for both domestic visitors and international visitors. The Gold Coast city spans 1402 square kilometres, and features 70 kilometres of coastline from South Stradbroke Island to Rainbow Bay as well as preserved hinterland in the Lamington, Tamborine and Springbrook National Parks. At 30 June 2004, the population of the Gold Coast City was 469 214, making it the sixth largest city in Australia.

The Gold Coast continues to be a popular destination because of its attractive climate, wide expanse of natural beauty ideal for leisure purposes, as well as its easy accessibility compared to similar foreign destinations.

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[1] Australian Bureau of Statistics (2005) *Tourism Satellite Account 2003-04,* Cat no 5249.0, ABS, Canberra.
[2] Australian Government Department of Industry, Tourism and Resources (2004) *Tourism White Paper*, Commonwealth of Australia, Canberra.
[3] Figures provided by Tourism Division, Department of Industry, Tourism and Resources.
[4] Australian Government Department of Industry, Tourism and Resources (August 2004), *Australia's Tourism Facts and Figures at a Glance,* Australian Government, Canberra.

Case Study Overview

This chapter outlines how globalisation of the world economy and of large enterprises affects the role of SMEs in Australia's tourism industry. It discusses the understanding of relationships, cooperation and global value chains amongst Australian tourism SMEs. The chapter goes on to examine the strengths, weaknesses, opportunities and threats of Australia's tourism industry. Finally, it looks at barriers faced by Australian SMEs in the tourism industry.

This study focuses specifically on hotels, tour operators and travel agencies, as specified by the OECD preliminary draft outline for the tourism industry study.[5] Interviews were conducted with 23 enterprises undertaking tourism activities on the Gold Coast, as follows:

- thirteen accommodation providers, ranging from a hotel in a large multinational chain, to small owner-operated bed & breakfasts and lodges, to self-contained apartments
- six travel agencies, from small independent firms to members of large chains and franchises, and
- four tour operators, of varying sizes and expertise.

A large number of the SMEs interviewed were owner-operated, with fewer than 25 employees. Most companies allocated the majority of their costs to service provision, followed by support activities and then marketing. Companies allocated very little to research and development. A statistical breakdown of employee and financial data for each enterprises consulted is shown in Figures C.1 and C.2.

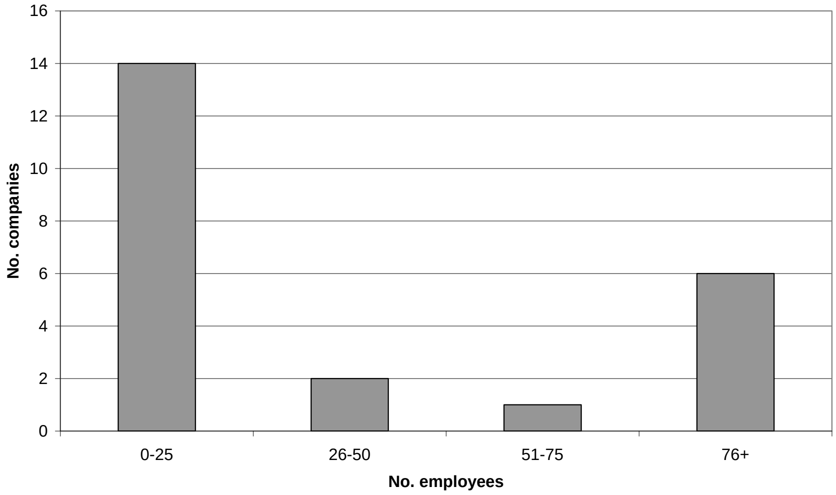

Figure C.1 Number of employees in businesses consulted.

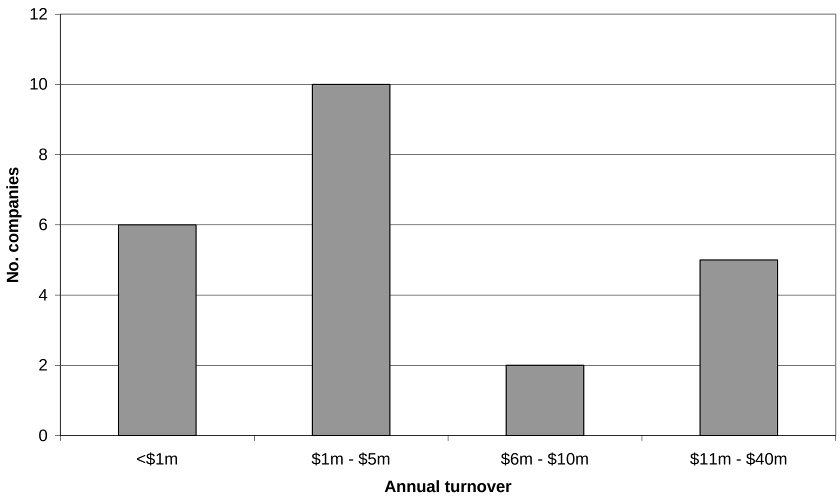

Figure C.2 Annual turnover of businesses consulted.

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[5] OECD Secretariat of the Tourism Committee (2005) *Draft Outline for the Report on the Role of SMEs in the Global Tourism Industry*, CFE/TOU(2005)1.

Awareness and Understanding within the Global Value Chain

The nature of Global Value Chains in Australian tourism

Reflecting the diverse nature of the industry, value chains involving Australian tourism businesses are generally highly fragmented. In short, there are many different forms of tourism-related activity and it is rare for these to correspond to the linear model of production (and value-adding) that is typical of other industries, as demonstrated in Figure C.3. The end user, the customer, has several different paths available when purchasing the end product, unlike in other industries.

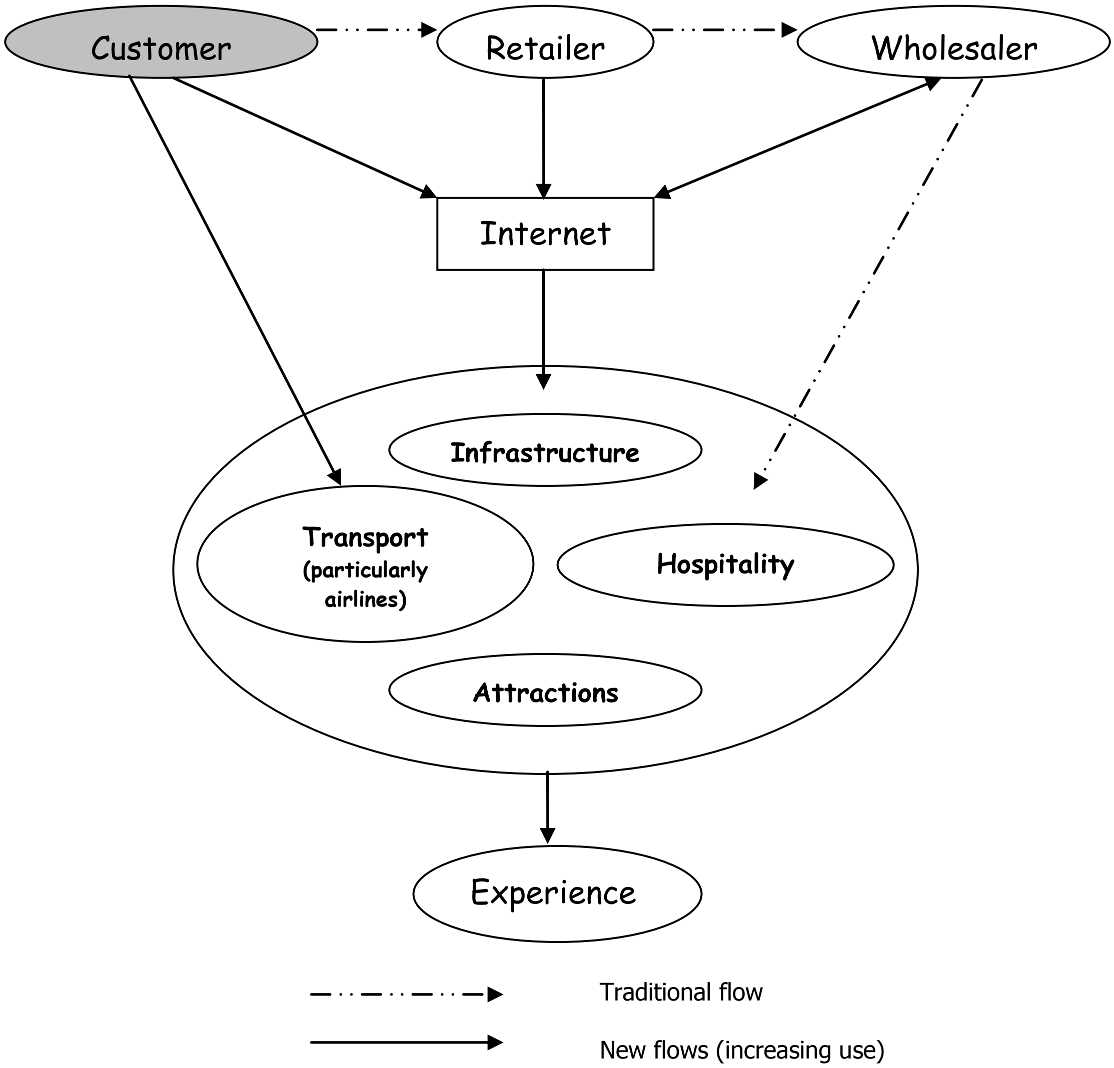

Figure C.3 Consumer movement and the Tourism Value Network (Chain: non-linear).

Moreover, the idea of greater participation in global value chains is not necessarily a high priority for most tourism operators in Australia. Although there is strong awareness of the immediate, first-hand interactions that connect particular businesses, there is little conception of the significance of the multiple linkages that occur along the entire length of these chains. Insofar as they exist, strong and fully-integrated relationships between Australian tourism enterprises and other related businesses tend to be more prevalent at a domestic than an international level.

Whilst tourism continues to be a major export earner for the country and the international focus is significant, there is a particular concentration within the industry on the provision of niche, regional and local services for domestic customers. Most tourists to Australia are low-yield visitors – and the vast majority of the country's tourism businesses remain SMEs.

Nevertheless, the impact of globalisation on the structure of tourism supply and value chains is evident in at least two different forms in Australia.

For many larger operators, the globalisation process is creating a range of opportunities and opening many new foreign markets. In turn, an increasing number of overseas businesses (foremost among them major hotels and airlines) are establishing a foothold in the tourism sector in Australia. Collectively, these operators have helped to change the complexity of tourism in Australia by dramatically increasing investment in the sector, by creating substantial improvements in infrastructure, and by raising the profile, appeal and accessibility of specific destinations.

Yet these trends are not mirrored at the other end of the sector. Typically, SMEs do not always perceive that there are benefits to be gained from diversifying and expanding their activities. In addition, most of these enterprises service a defined customer base, operate in relatively stable and reliable markets, and remain loyal to traditional partners – whether these be distributors, wholesalers or suppliers. Alliances tend to be longstanding, and the proprietors of such businesses are generally reluctant to risk destabilising the sense of trust that underpins these relationships. In this respect, the effect of globalisation has been paradoxical; as it has become a more sweeping force, so many SMEs have increasingly confined their focus to local markets.

Cooperation within the Global Value Chain

Globalisation has also promoted differing effects in respect of the degree of co-operation evident among individuals and organisations involved in providing tourism products and services.

In keeping with the strong presence of SMEs within the industry, personal relationships and networks still tend to be crucial forces in shaping the configuration of Australia’s tourism supply chains. Significantly, geographic clustering (along popular tourist routes and/or in major tourist destinations) is also a noticeable feature of tourism-related activity in Australia. Frequently, the owners of enterprises within these clusters fail to see themselves as rivals and instead prefer to exploit their shared interest in emphasising, maintaining and/or enhancing the competitive advantage of their destination over other alternatives.

Many larger businesses are showing increased awareness of the benefits of penetrating new and emerging markets and fostering more strategic and wide-ranging partnerships. But this has yet to translate into comprehensive and far-reaching forms of international cooperation between Australian tourism enterprises and those on foreign shores.

In part, this is because many of Australia’s tourism services and products are not suitable for bundling and packaging for the international market. Similarly, the development of new production processes, increases in the levels of R&D, and the outsourcing of services are not particularly common practices within the tourism sector.

Large numbers of tourism enterprises are also deterred by the relatively low returns to be derived in many cases from entry into the global marketplace – and most wish to maintain the strong bonds that they have forged with their local communities. Rather than opening up new links with international providers, these enterprises have therefore remained concerned with preserving regional and local value systems.

Changes to the GVC

The most profound changes to the structure of the tourism value chain, and to the dynamics of relationships between firms, are being driven by the adoption of new technology. The growth of the Internet has been the most significant of these developments in that it has reduced the distance between consumers and suppliers – and therefore allowed travellers to bypass some of the nodes in the traditional chain. General increases in customer expectations, various international tensions, security concerns, and the onset of pandemics have been among other important factors that have not only re-shaped interactions between tourism firms but provoked changes in the spending and behavioural patterns of travellers themselves.

Travel agents are feeling the effects of these changes particularly acutely. But the implications are also increasingly affecting other industry segments, including inbound and outbound tour operators in the packaging of their products.

Nevertheless, tourism remains an industry in which a high emphasis continues to be placed upon quality customer service. In this sense, there have not been radical changes to the core activities of most tourism enterprises in Australia over recent decades.

An increasing number of SMEs are affiliating themselves with multinational corporations, either as individual suppliers or as local franchisees. But the benefits to be gained from these kinds of collaboration are not as obvious in tourism as they are in other industries. Growth in the tourism sector is not purely a function of reducing costs, changing pricing structures or increasing creativity and innovation in production processes as it is in manufacturing industries. It is also a function of pricing quality appropriately.

Overall, most tourism providers in Australia continue to see themselves as largely self-sufficient and independent entities. They develop their own strategies, identify and meet the needs of particular segments of the tourism market in their own unique ways, and generally rely on a finite set of partners to bring their products and services to market. Their greatest contribution to global value chains therefore comes from their capacity to add to and enhance the full set of experiences that tourists enjoy in the course of their visits to Australia. In most cases, they achieve this objective by helping travellers to benefit from their extensive local knowledge and practical expertise.

Strengths, Weaknesses, Opportunities and Threats for SMEs

The various strengths, weaknesses, opportunities and threats to SMEs and the tourism industry itself on the Gold Coast are summarised in Table C.1.

Strengths	Weaknesses
• Strategic Alliances – formal/informal networks that allow organisations to enhance business opportunities • Branding – of individual organisations, and destinations • Human resources – the strong knowledge base of well-trained staff	• Low awareness of GVCs and individual positions within them • Reliance on one market, e.g. Japan • Dated branding of destinations – needs to be updated regularly • Highly transient staff
Opportunities	**Threats**
• Focus on niche markets • Improved branding of destinations in domestic and international markets • Perception of Australia as a safe destination • Internet –improve public awareness of both destination and organisations • Growing Chinese market – improvements to the Approved Destination Scheme.	• Competition from other destinations • Terrorism in Australia • Pandemics – bird flu, SARS • Internet – technological challenges, removing the 'middle man' • Low cost carriers encouraging short-haul, quicker holidays • Approved Destination Scheme improvements not implemented, creating an unfair market.

Table C.1 Summary of SME and industry strengths, weaknesses, opportunities and threats.

Strengths

Alliances

Strategic (formal and informal) alliances appear to be the main strength for organisations on the Gold Coast. These geographical clusters allow organisations to work together to increase their market share. This is illustrated through both membership to official networks and the creation of independent networks. Popularly-subscribed industry associations included the Australian Federation of Travel Agents, International Air Transport Association, Travel Compensation Fund, Tourism Queensland, Gold Coast Tourism Bureau, Queensland Tourism Industry Council, Australian Tourism Export Council, and the Queensland Japanese Association. In the Natural Bridge area of the Gold Coast hinterland, an independent association, N Net, has been set up by local providers to encourage visitors to the area and to provide them with information about accommodation and available activities.

Branding

The strength of a brand name, both the brand of a service provider and the brand of the destination itself, was recognised as an important strength. Customers were reassured about quality through the association with, for example, Youth Hostel Australia, Versace, and internationally recognised hotel chains. It was also recognised that selling the Gold Coast as a destination boosted the image of the service providers overseas and domestically. It was noted that having a name that was known and trusted helped to attract customers and to enhance an organisation's buying power.

Human resources

Human resources were also recognised as a strength. Expert knowledge of an area or customer group was seen as a point of differentiation from competitors, for example knowledge of Japanese language and their customs was an advantage for inbound Japanese tour operators.

Weaknesses

Lack of knowledge of GVC issues

In terms of a position within the GVC, SMEs on the Gold Coast appear to have a limited knowledge of how they fit in. This is a potential weakness as it limits the ability of SMEs to maximise the possible additional outputs within their chain. Some organisations in particular operate with a high level of independence, further contributing to a relatively weak position. Operating independently has some benefits through increased flexibility, but can limit an organisation's buying power and their general awareness of the operating environment.

Narrow market focus

A number of the smaller firms accepted that focusing only on the Gold Coast region, or relying too much on one market such as the Japanese, has a negative impact on their ability to respond to market changes. The decline of the Japanese market following September 11, SARS, avian flu, and the emergence of new South-East Asian destinations has had an impact on some smaller operators, who previously relied on up to 70% of their market coming from Japan.

Destination perception

Furthermore, the perception of the Gold Coast is becoming dated. This has led the Gold Coast Tourism Bureau to create a new marketing campaign, 'VeryGC', but a number of operators were unsure this would have the desired affect on the Japanese market.

Staff training and retention

The need to find, train and retain good staff was another issue that operators faced. Employment in the tourism industry is generally transient making it difficult to develop expert knowledge amongst staff.

Opportunities

Niche market focus

A number of firms indicated their focus was on a niche market, allowing them to cater specifically to a selected standard and improve individual business opportunities. Membership of industry associations, comprising both SMEs and larger firms, was one method for facilitating this niche market focus through enhanced communication and information flows. Operators became alerted to opportunities to work with other companies, enabling them to gain a market presence.

Destination marketing and branding

Both SMEs and larger firms believe there is an opportunity to improve the current marketing of the Gold Coast as a brand. This would improve the destination's image, and encourage higher visitor numbers. Destination branding could be undertaken in conjunction with Tourism Australia and/or Tourism Queensland for maximum effect.

Australia as a 'safe destination'

Australia's perceived standing as a secure destination in the face of possible threats from terrorism and natural disasters is seen as an opportunity to increase international and domestic tourism figures. With other destinations perceived as unsafe, places such as the Gold Coast become attractive destinations, with many organisations seeing an increase in their visitor numbers. Domestic visitor numbers are slightly increasing as people holiday at home, with 296 877 visitor nights recorded in 2004, a 0.9% increase.[6]

The Internet

Some SMEs have benefited from the Internet, as it has allowed them to enter the value chain, make themselves known and compete and interact with the larger firms. It has given SMEs an opportunity to take control of their product distribution, and is a particularly useful marketing tool as it is relatively low in cost. This enables SMEs to market their service worldwide with out relying on (and paying commission to) third parties.

The increased use of the Internet, which has impacted on retail travel agents through the rise of live inventory websites (such as lastminute.com.au and wotif.com.au) has also created an opportunity for niche travel agencies. These more specialised travel agency services provide high levels of customised service for tourists who either do not wish to use the Internet or still like the security of a travel agent. They have the ability to organise complex arrangements and offer a trust relationship.

Improvement of the Approved Destination Scheme

Approved Destination Scheme (ADS) is a bilateral tourism arrangement between the Chinese government and a foreign destination, allowing Chinese tourists to undertake leisure travel in groups to that destination. It is an important part of Australia's inbound tourism growth. Australia, together with New Zealand, was one of the first western countries to be granted ADS status in 1999, and has since hosted over 160,000 Chinese tourists undertaking leisure travel in groups. China is Australia's fastest-growing inbound tourism market, and is forecast to grow at more than 16% annually to reach approximately 1.2 million visitors per year by 2014.[7]

There are a number of changes being made to the Approved Destination Scheme (ADS), in an attempt to protect the integrity of Australia's reputation in the Chinese market. Only 53% of ADS visitors surveyed in 2003 were satisfied with their experience – dissatisfaction was expressed about visiting locals, exchanging culture, local food, local product, 4 star accommodation, outdoor activities and local wildlife. All operators are now required to undergo vetting, and will be bound to the Code of Business Standards & Ethics. This will create opportunities for operators who have been kept out of the lucrative and expanding Chinese market by unethical operators who have come to dominate the market in recent years.

Threats

Competition between destinations

The major threat that most SMEs identified was competition between destinations. This occurred both domestically, particularly Sydney, Melbourne and the rest of Queensland competing to gain a larger percentage of domestic tourism, and internationally, for example, Australia competing with South Korea for Japanese tourists. Many firms felt that this could be overcome by improved destination marketing.

Global crises

Global crises presented a threat to those reliant on the international tourist market. Terrorism was identified as a threat – many firms stated that if anything were to happen in Australia they would lose their business. Although they are limited in their ability to prepare for such an event, it is a very real risk. Another major threat, particularly with regards to the South East Asian market, is pandemics. The impact of this threat on inbound visitor numbers could be seen from the SARS epidemic and the emerging threat of avian flu.

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[6] Australian Government Department of Industry, Tourism and Resources (July 2005), *Australia's Tourism Facts and Figures at a Glance*, Australian Government, Canberra.

[7] http://www.industry.gov.au/content/itrinternet/cmscontent.cfm?objectID=8406AE50-65BF-4956-BA90AC2C508A80DC.

The Internet

The Internet proved to be a threat as well as an opportunity. The negative impact is felt by retail travel agents who are not currently maintaining their share of travellers or getting repeat business. It is also felt by hotel operators. The shortening of booking periods has made it hard for forward planning, cash-flow, staffing and other related measures. It creates additional demands on SMEs, as although some operators understand how to use the Internet to their advantage, many are still learning about the Internet and there is not much sharing of information to facilitate learning. The Internet is very challenging and crowded, and a simple website by itself is next to useless. Wotif.com, Travelocity, Qantas and State Tourist Commissions are great ways to distribute products, but for SME hotels trying to manage their inventory, it can become confusing.

For those markets without Internet access, or to which English websites are not easy to use (for example, Middle Eastern, Chinese and Korean markets), the Internet presents another problem. An intermediary (such as an international tour operator, restaurant, duty free shop or consortium of such players) becomes necessary to assist with Internet access, complicating the value chain. Furthermore, prospective travellers have expectations of technology being factual and up-to-date, which makes it important for SMEs to ensure that Internet sites are up-to-date, fast and with good links. The costs involved in staying up to date technologically can be a disincentive for SMEs, particularly those in rural areas with limited access.

Low-cost transport carriers

Low-cost transport carriers are another emerging threat to Australian tourism. As the premise of low-cost carriers is short-to-medium range flights, they divert potential travellers closer to 'home', away from long-haul destinations such as Australia. They also encourage people to take shorter holidays. As long-haul destinations rely on people taking longer holidays to merit the length of the flight this is seen as a threat to the international segment of the Australian tourism industry.

Increasing strata title arrangements

The relationships between accommodation providers in Australia are also becoming increasingly complex. Traditionally, hotels, motels and bed-and-breakfast lodges have been the main forms of accommodation for people travelling. However, in parts of Australia, the advent of strata title arrangements has changed this dynamic by creating a market for apartments, townhouses, duplexes and villas which are available for sale, rent and short-term stays. These arrangements have opened the market to a greater number of individuals and organisations to invest in the tourism market, and provided rooms to travellers and/or owner-occupiers at a comparatively low cost. But, at a time when major international chains are establishing a greater presence in Australia's hotel sector, this new sector is exerting increasing pressure on small and medium-sized hotels, motels and bed-and-breakfast operators to maintain both their existing market niche and their profit margins.

Lack of 'fresh' Australian product

An emerging trend is the Japanese market now choosing to go to China, Korea and Guam using low-cost carriers, at the expense of Australia. One of the reasons identified for the loss of the Japanese market was the lack of fresh Australian product. Visitors do not want to visit Australia and see the same attractions or hotels they did ten or twenty years ago.

Impact of the ADS

Although changes are expected for the ADS in the near future, there is a current threat that a Chinese tourist's 'Aussie Experience' will be sub-standard. Visitors are therefore unlikely to return, and will not encourage friends and family to visit Australia. If the proposed changes (for example complying with Code of Business Ethics and gaining accreditation) are not successful, this will be a threat for Australian tourism operators.

Economic impacts

Finally, as a luxury item, tourism is particularly vulnerable to economic cycles. Factors such as the cost of petrol (both driving and airline fuel surcharges), increasing cost of housing (limiting money available for leisure spending) or other economic issues impact on people's ability to spend money on holidays.

Barriers Faced By SMEs

It emerged from the study that there are several barriers to increasing business and strengthening positions in global value chains.

The Internet

Small businesses in the tourism industry have been severely affected by the increase in usage of the Internet for travel bookings and sourcing travel information. Whether this effect is a positive one for the individual business depends on:

- the technological know-how of the operators of the business
- the human and technology resources available, and
- the operator's willingness to adapt to changing business conditions.

Operators of small accommodation houses in general have not been inclined to view the Internet as a barrier as such. Rather they see it as a confounding and complex opportunity which is currently only being partially utilised.

Tour operators and travel agents are much more likely to view the Internet as a barrier to increasing their role within the global value chain. The Internet boosts the power of consumers to by-pass a step in the value chain. For example, when a consumer goes straight to the wholesaler via the Internet, the wholesaler effectively becomes a retailer. This concern was frequently reported by tour operators and travel agents. In such circumstances, the Internet is not necessarily the booking medium, but plays a vital role in allowing the consumer to locate and contact the wholesaler, or vice versa.

There is a feeling by some operators that the consumers will swing back towards the personalised service of travel agents as they realise the value of gaining expert advice on travel.

Case Study - The Internet: Opportunity, or Barrier?

The Internet has had an enormous impact on the tourism industry, from computerised reservation systems to last minute Internet accommodation booking companies. It has also changed the way many customers and suppliers interact and navigate through the global value chain.

An inbound tour wholesaler who was interviewed speculated that he would be out of business within the next five years as a direct result of customers and retailers dealing directly with suppliers, owing to the effectiveness of the Internet in by-passing the 'middle man'.

In contrast to this another travel agent interviewed believed that his competitive advantage centred on his ability to value add in the area of service, industry knowledge and organisational simplicity, as opposed to the Internet, which they speculated created more work and uncertainty for prospective consumers.

The impact of the Internet on the tourism industry provides an example of the importance for companies large and small to adapt to changes in technology if they are to remain competitive. Therefore from a global perspective the Internet is as much a threat as it is an opportunity, and those companies that adapt to the ever changing market place will be rewarded with increased competitiveness.

Lack of awareness of GVC issues

The small owner-operator nature of the tourism businesses studied often gives rise to a number of characteristics:

- Lack of awareness by the operator of how the business fits into the global value chain
- Lack of resources such as time, staff and money to dedicate to changing the structure or operations of the business to increase the business' role in the global value chain, and
- The personalised nature of the operations of small tourism businesses makes for an increased emphasis on trust relationships within informal, local and global alliances. These relationships are strengthened through a record of ethical behaviour and similar business ethos.

The impact of multinationals

Many of the small businesses on the Gold Coast had little or no interaction with multinational companies. One small business did however draw a large percentage of its business from a multinational corporation.

Case Study - Foreign Ownership

A major player in the global cruise industry recently acquired a large proportion of the Australian cruise industry with its strategic purchase of a major company.

According to companies that were interviewed on the Gold Coast, the merger has changed the Australian cruise market dramatically - particularly for travel agents and travel wholesalers.

Companies have found the foreign cruise company difficult to deal with in relation to culture and strategies, all of which are arguably impacts of globalisation. Areas of interest include:

- The foreign company is forcing elements of its national culture onto Australian consumers. For example, it is a requirement of each cruise passenger to pay a $4.50 surcharge per day as a tip contribution to members of the ship's crew. Tipping is not as prevalent in Australian culture as it is in other parts of the world. One of the companies interviewed claimed that it had received complaints from its customers about this forced tipping arrangement, irrespective of the service that they had received.
- The foreign company is not interested in selling international cruises; it purely looks after the Australian cruising industry. This restricts the product range of Australian travel wholesalers.

According to companies interviewed, the changes outlined above have created friction not only between the customer and the cruise company but between the wholesalers and the cruise company.

Franchises

In the travel agent business, there was pressure for travel agents to be members of a larger, branded chain. Not being a member of some form of large chain or franchise, such as Travelscene American Express or Harvey World Travel, gave the impression of a lack of security to the consumer. Even the most 'independent' travel agent who participated in the study felt compelled to join a franchise. However, belonging to a franchise entitled the franchised travel agent some power - bringing in a good income for the franchisor gives the franchisee some power, and beyond consumer brand recognition, gives benefits such as emergency assistance when organising overseas group tours.

Case Study – Public Listing: Keeping Shareholders Happy

A major travel agent chain operating in Australia and internationally recently floated the company on the stock exchange, causing a significant shift in the internal business operations of the chain.
According to some franchisees that were interviewed, the new company structure changed the focus and strategy from the 'head office' to the shareholder. This has been to the detriment of the relationship with the franchisees. For example, zone restrictions once placed on franchisees to keep their marketing capacity geographically located have been removed. Franchisees are now permitted to market their products in neighbouring zones, directly competing with other franchisees within the same chain. This new strategy was viewed as a way for head office to ensure the stronger franchises maximise their full potential. It also provided the opportunity to create additional franchise licences previously not geographically permitted, and therefore maximising the income stream from the franchise businesses. As large companies such as this expand internationally and look to compete on a global scale, the need to be innovative and strategically competitive is essential. Therefore the small businesses (franchisees) need to adapt and change in order to counter the negative effects of new company strategies. In this instance the marketplace will create either strong robust business out of the franchisees prepared to adapt, or result in the demise of those that do not.

Accreditation and Quality

The industry has recognised the impact that poor quality can have on repeat business. The task of meeting industry accreditation standards (such as the standard requirements expected by AAA Tourism star-rating and state and regional tourism bodies such as Queensland Tourism and Gold Coast Tourism) can be difficult for SMEs. Minimising the administrative burden on SMEs while maintaining standards is a challenge.

The National Tourism Accreditation Portal (due to commence from late 2005) will be a voluntary self-sustaining tourism accreditation system that will provide a national set of business improvement mechanisms. High levels of service and product quality are becoming key focuses for Australia in terms of its reputation as a tourist destination. Tourists now have a greater capacity to research (and to discern between) the tourism experiences they are seeking. The creation of the portal is aimed at capturing benefits from this development by encouraging Australian tourism operators to more closely align the products and experiences they offer with the expectations and perceptions of travellers.