

Introduction to Strategy *for Tourism, Hospitality and Event Organisations*

Based on Evans

Introduction

In this session:

- contexts of strategy;
- services vs manufacturing;
- service product characteristics;
- THE-specific characteristics;
- implications of the characteristics for THE managers.

Contexts of Strategy

Strategic decisions – the context doesn't matter?

- On one level the context doesn't matter because we are concerned with generic issues such as:
 - long-term direction – **vision**;
 - **scope** of an organisation's activities;
 - addressing changes in the **business environment**;
 - **resources** – competing for and allocating resources.

Contexts of Strategy

Or – perhaps context does matter?

- What enables some organisations to be more successful and grow more than others?

Contexts of Strategy

Part of the answer?

- an understanding of the:
 - **different contexts** in which strategic decisions are made;
 - **managerial implications** of these contexts.

Contexts of Strategy

Strategy and strategic decision making takes place in different contexts:

- large and small;
- public sector, private sector and third sector;
- manufacturing and services;
- international vs domestic orientation.

The Focus of Strategy

A strategic bias?

- Strategy – academic literature and text books focus predominantly on organisations which are:
 - larger and have a number of strategic business units (SBUs);
 - private sector;
 - manufacturing.
- And yet:
 - many people work in organisations which are none of these.
- Hence:
 - the relevance of considering the context.

Strategy for Services

Services are different

- **Manufacturing** – produces physical goods which are *tangible*.
- **Services** – provide products for your benefit which are *intangible*.
- Not all services are the same, e.g. tourism, insurance, healthcare.
- Services are provided by public, private and third sectors and by these in combination.
- Hence they do not all possess the same characteristics.
- Services and manufacturing are increasingly intertwined:
 - the proportion of services in manufactured goods is increasing;
 - many services contain some tangible elements.

Services Literature

Services – an emerging field of study?

- Many authors point to the differences (e.g. Buckley et al., 1999; Segal–Horn, 2004; Pla–Barber and Ghauri 2012).
- Strategic models specifically for services have been proposed, such as the **service profit chain** (see Chapter 3, e.g. Heskett et al., 1997).
- A new (and influential) strand of managerial thought has developed in recent years – **service dominant logic** (e.g. Vargo and Lusch, 2008).

Services – Characteristics

Many services have common characteristics

- **intangibility** – products cannot (normally) be tested or sampled;
- **inseparability** – production and consumption take place at the same time;
- **perishability** – products cannot be stored;
- **heterogeneity** – products are not identical;
- **ownership** – customers use services rather than own products.

Services – Characteristics

What do *YOU* think the managerial implications of these service characteristics might be?

Services – Characteristics

The management implications: some examples

- **intangibility** – effective promotion and distribution are essential;
- **inseparability** – ‘front-line’ staff must deliver excellent service;
- **perishability** – supply is often relatively fixed in the short-to-medium term and therefore influences demand to create market balance;
- **heterogeneity** – good, well trained staff are essential because they are ‘part of the product’;
- **ownership** – relationship building and loyalty programmes are often important.

THE – Further Characteristics

Further characteristics are particularly important in many THE contexts

- **high cost** – often relatively high cost purchases;
- **seasonality** – very seasonal patterns of demand;
- **ease of entry/exit** – barriers to entry/exit quite low in some parts of THE;
- **interdependence** – THE sectors are linked and depend on each other;
- **impact on society** – impacts of THE are often wide-ranging and controversial;
- **effect of external shocks** – THE sectors are particularly prone to external shocks.

THE – Further Characteristics

What do *YOU* think the managerial implications of these further THE-specific characteristics might be?

THE – Further Characteristics

The management implications: Some examples

- **high cost** – customers need reassurance about reliability;
- **seasonality** – different seasonal prices charged;
- **ease of entry/exit** – importance of product differentiation;
- **interdependence** – coordination or control of the supply chain is vital;
- **impact on society** – produce ‘sustainable’ products;
- **effect of external shocks** – have contingency plans in place to manage risks.

SUMMARY

- The context *is* important for the consideration of strategy.
- A total of eleven characteristics of THE have been considered.
- Some of these are common in many service sectors, but some are particularly important to THE settings.
- Whichever might be the case, managers working in THE need to be aware of the factors and consider the managerial implications associated with each.
- The strategy which organisations put in place should reflect an understanding of these characteristics and their impacts.