



Empirical testing of the theory of partial industrialisation in tourism

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ABSTRACT

Businesses that are typically associated as belonging to 'the tourist industry' may find that tourists are only part of their business mix and may or may not strategically target tourists as a distinct segment. That is, businesses that serve tourists also serve non-tourists. As such, tourism is only 'partially industrialised'. Despite being acknowledged three decades ago, only two empirical studies of tourism's partial industrialisation exist in the field. The aim of this research is to examine partial industrialisation in tourism (PIIT) in the Australian inland city of Ballarat, Victoria. This research provides additional empirical evidence to support the theory of PIIT, and provides evidence to highlight that figures often used in industry to support tourism represent a considerable exaggeration of the situation.

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1. Introduction

Partial industrialisation in tourism (PIIT) was first raised by Leiper (1979), who explained that "the process of tourism is...inherently...partially-industrialized" (p.390). Tourists use a range of different businesses. They may stay in commercial accommodation, eat out at cafes and restaurants, as well as purchase fuel and groceries. Tourists may also partake in leisure shopping, stimulating the local economy with their purchases of souvenirs, clothes and accessories. By implication, while tourists can be a market segment for a wide range of businesses, it is unreasonable to suggest that tourists comprise the total market for those same businesses. Whilst commercial accommodation may find that virtually all, if not all, of their market comprises of tourists, or at least travellers, other businesses will be unlikely to find this to be so.

For many retailers, restaurants, and cafe operators, the tourist may be a very minor component of their market. Some more popular tourist destinations, such as the Gold Coast, may find that a major component of the market for retailers and food services are tourists. Less popular tourist destinations, may find that those same business types serve very few tourists. Since many businesses that serve tourists also serve non-tourists, tourism may be regarded as partially industrialised.

The theory of PIIT has received little discussion in the extant literature, and only two empirical studies have been done to examine PIIT. As the field has been under-explored, this paper aims

to undertake an exploratory analysis by interviewing operators associated with being in 'the tourism industry'. The PIIT model (Leiper, Stear, Hing, & Firth, 2008) is used as a framework to display where various businesses interviewed fit in the quadrants. Positioning is subjective and not intended to be regarded as precise quantitative reasoning. More, it is to display which quadrants businesses may belong to in order to provide additional discussion in the field and consider these findings against the two prior empirical studies in PIIT.

2. Literature review

Whilst raised initially by Leiper (1979), PIIT has attracted few researchers since. It has only been mentioned briefly by a handful of researchers. As such, a review of the literature is necessarily limited and dominated by the work by Leiper (1979) and Leiper et al. (2008).

Partial industrialisation has been described as "arguably one of Leiper's most novel, as well as most significant, contributions to understanding tourism" (Hall & Page, 2010, p.303). A lack of recognition of PIIT was acknowledged by Leiper et al. (2008) who provided five reasons for this neglect. First, given that few researchers have explored PIIT, there has therefore been a lack of serious discussion in the field through international research journals (Leiper et al., 2008). Because of this, the information on PIIT has not filtered through to a wider selection of government agencies and tourism officials.

A second reason may relate to the notion of tourism industries as a plural rather than a singular entity linked to the understanding of PIIT theory. Since "PIIT challenges the widely accepted idea of

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tourism as ‘an industry’...a general recognition of PIIT could disturb interest groups” (Leiper et al., 2008, p. 208). Since most tourism researchers have to date resisted adopting the plural variant, this may be a contributing factor in limiting the interest and application of PIIT. In explaining PIIT, Leiper et al. (2008) highlight the parameters of what is an industry, which can be defined as “strictly a group of sellers or of close-substitute outputs who supply a common group of buyers” (Bain, 1968, p.6).

Similar definitions are supplied by Porter (1985) and Gilbert (1990), stating that an industry is where businesses are competing with each other, by focusing on “structural heterogeneity within an industry” (Porter, 1985, p. 272). Similarly, Gilbert (1990) states that “Industries are made up of firms which produce the same product or groups of products so that the consumer regards these as ideal substitutes for one another even though the products may differ slightly” (p.58). Clearly, tourism comprises multiple tourism industries. Some of these are actively targeting tourists in their businesses strategies; others are passively accepting them. This point is also targeted by Tremblay (1998) who says that tourism “is not really an industry” (p.84).

A third reason provided for is that understanding of PIIT requires some grasp of strategic management, which “researchers on tourism have treated casually and superficially” (Leiper et al., 2008, p.209). Fourth, it has been suggested that the complexity of the original (Leiper, 1990) PIIT model has detracted interested parties. In response, Leiper and his co-researchers developed a less complicated model (Leiper et al., 2008). A fifth reason is that it is difficult to measure industrialisation in tourism, and as such PIIT has necessarily been confined to academic discussions (Leiper et al., 2008).

Measurement of industrialisation in tourism is difficult because ordinarily, an industry is measured by the output of the businesses that supply the goods and services. However, many businesses that serve tourists will also serve non-tourists and as such the aggregate supply of goods and services does not reflect the output attributable to tourism. For example, a restaurant may serve tourists but in most destinations will also serve non-tourists. Details are unlikely to be kept by the business on the proportion of spend by tourists versus tourists. As such, it is unknown to what extent the supply of goods and services are consumed by tourists.

The notion that businesses serve both tourists and non-tourists is not new. Importantly, it underpins the development of tourism satellite accounts (TSA). Since it is not possible to identify tourism as a single “industry” in the national accounts, its value to the economy is not readily revealed. Tourism activity is “hidden” in other industry activities (accommodation, transportation, telecommunications and so on). TSA are based on the accounts for industries that are reported in the National Accounts identifying the sectors of the economy that comprise ‘the tourism industry’.

The basic procedure in satellite accounting is to claim a “share” of sales of each commodity or industry to tourism. TSA use these estimates of tourist expenditure and then allocate tourism expenditure to different industries. Thus, for a given destination, tourism might account for 90% of sales expenditure in “Accommodation”, 95% of “Air Transport”, 30% of “Ground Transport” and say, 15% of “Retail Trade”, and so on for other industry sectors. Thus the outputs of these industries which can be attributed to “Tourism” are estimated and aggregated to obtain an estimate of the output of “Tourism”. The result is a set of accounts documenting output, value added, employment and so forth for ‘the tourism industry’, consisting of the sum of the various parts of other industries which are attributable to tourism (IRTS, 2008).

The development of TSAs has assisted in developing better estimates regarding tourism expenditure. The key point is that they are still estimates. Thus, caution has been raised by some critics

such as Leiper (2008) who states that “TSAs provide no new data, about economic impacts or about any industry(ies) linked with tourism” (p.245) and Lew (2012) who states that TSAs are “inherently unsuitable for comparison across political boundaries (beyond a single country) and across different industries”.

It has been argued that TSAs have “helped to defuse (the) debate” regarding “the nature and scope of the tourism industry” (Dwyer, 2011, p.x). However, it has also been argued that “tourism satellite accounts (TSAs) further cloud the issue” (Leiper, 2008, p.245). Indeed, tourism is measured differently to any other ‘industry’ as “tourism appears to be the only partial-industry that has whole heartedly adopted the satellite accounting approach” (Lew, 2008).

Notwithstanding the value of TSA in measuring the economic contribution of tourism, proponents of the PIIT argue that the conventional concept of a tourism industry is fundamentally flawed. They claim that a measure of the total expenditure associated with tourism cannot indicate the ‘size’ of the industry. As Leiper et al. argue, the measure of ‘size’ used in a TSA for example is “ – nothing more than the sum of tourists’ expenditure. Extending beyond that limit can be problematical” (2008, p. 210). Indeed, it is argued that business managers and governmental policy-makers and public-sector planners can be misled if they assume that total expenditure by tourists in a region reliably indicates the size of a tourist market deserving a business strategy focused on tourism, or that that total expenditure by tourists reliably indicates the size of a tourism industry that will perform strategically and purposefully in developing and promoting a destination (Leiper et al., 2008, p. 210).

It is clear that the proponents of PIIT emphasise the importance of deliberative action by managers in defining the scope of the ‘tourism industry’ while TSA measures are silent on this. The TSA explicitly focuses on the economic dimension of tourism activity in order to provide a consistent approach to tourism data collection (IRTS, 2008). As a statistical tool that is compatible with international national accounting guidelines, TSA can enhance credibility of tourism as a main economic sector. However, they do acknowledge that tourism is not an industry (ABS, 2012).

Tourism is not an industry or product in international statistical standards but it is commonly considered an industry by tourism researchers and economic analysts. In the Australian Tourism Satellite Account (TSA), the direct contribution of the tourism industry to the Australian economy has been measured using the demand generated by visitors and the supply of tourism products by domestic producers (ABS, 2012).

The difficulty of measuring tourism as an ‘industry’ has been similarly recognised in an online “industry information” list by the Australian Government (Australian Government, 2011). The website identifies 32 occupations associated with tourism in an attempt to determine the number of people employed in tourism and tracking growth (Australian Government, 2011). The list of occupations includes chefs, cooks, air transport professionals, bar attendants and baristas, cafe workers, waiters, kitchenhands, and retail managers. The phenomenon of partial industrialisation in tourism seems to be understood in some way through the statement that “not all of these are entirely hospitality and tourism related” (Australian Government, 2011).

Enquiries were made to the appropriate department to better understand what proportion from each occupation was assigned to belong to ‘the tourism industry’. The response was

In some cases, e.g. Cafe or Restaurant Manager the proportion was 100%. In other cases e.g. Retail Managers, there may be only a small proportion connected to Tourism...From this we were able to arrive at a reasonable estimate of employment growth for the sector as a

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