

# AN EXAMPLE STUDY OF TOURISM LOGISTICS FOR TOURISTIC PLACES IN TURKEY

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## ABSTRACT

The tourism sector is one of the most significant economic sectors in the Turkish economy and one of the sectors which has undergone the greatest evolution in recent years. It is important to point out the substantial transformation that has occurred in tourists' preferences and behavior, abandoning pre-organized tourist packages offered by tourism intermediaries in favor of other more personalized options. This study represents an innovation for the tourism sector. The study is optimum route planning in the lowest costs to use with travelling salesman problem algorithms for the most famous touristic places in Turkey. It aims to increase customer satisfaction which is critical for tour companies in a competitive market while minimizing costs. It procures flexible service logistics solutions in the lowest costs for all different types of travelers in tour agencies.

The optimization model was formed regarding the distance and travelers' requests for visiting touristic places, the most visited central places of Turkey and they are subject to possible changes with the diversity of travelers considering different services and types of vehicles. In this study preferred dates of tour and the limits of budget were included to the model to find a logistics solution for tour agencies.

Keywords—computer-aided travelling salesman problem, personalized tourism routes, tourism logistics

## I) INTRODUCTION

Tourism sector has been developing rapidly due to the advance in logistic capabilities and reduces fees. As the number of travelers expands, so does the span of requests by the travelers. Many companies increase the flexibility of their services to respond these varying requests. The objective of this study is to determine the optimum route plan which will give travelers the chance to visit a designated number of touristic places at minimum costs. For this purpose, it takes into account the constraints of the traveler budget and free time. It provides the travelers with opportunity of choosing some specific places among all touristic places, which is basically determining the tour route. Thus, it gives the opportunity to choose the optimal tour option which they want to attend. This is an innovation for tourism sector, because it includes mutualistic approach for both parties by the freedom of choice to travelers while minimizing costs for tour companies.

In section 2, a brief literature review is given for the better understanding of the problem and the method. Our proposed method is demonstrated with three scenarios in section 3. Finally, in section 4 we present our conclusions and view about future research in this area.

## II) LITERATURE REVIEW

According to Landré and Peeters (2011), there's a deep gap between tourism and transport research communities. This results in a relatively small number of comprehensive studies in literature about tourism logistics, for many studies tend to be prepared by the viewpoint of either a tourism researcher or a transport researcher.

Dukic and Sesar (2008) utilized a computer-aided travelling salesman model to plan day trips for tourists. They took the time spent for transportation and the time spent for sightseeing into consideration. The goal of the model is to minimize the total time.

Rodríguez et. al. (2012) considered various activities that tourists may prefer to combine and develop a tool to design personalized routes. Mathematical modeling is employed to obtain the routes and interactive multi-criteria decision making technique is employed to select the activities for each tourist. This study considers the case where private cars are used and public transportation is not.

Ngamsirijit (2013) used capacity flexibility model to design most flexible and efficient routes for small buses among various locations. For this purpose, first, the maximum capacity of transporting passengers (MAXCAP) was assessed. Then, three routing options were considered to obtain the flexibility.

Brandinu and Trautmann (2014) dealt with scheduling of tour buses that takes tourists to various film sites. They employed mixed-integer linear programming and minimize the total waiting time before they minimize the total travel time of all buses. Unlike our study, their study didn't include designing a route depending on tourist's needs.

Additionally, orienteering problem differs from our case as its vertices have scores and its path is necessarily limited in length. A broad survey on orienteering problem is presented by Vansteenwegen, Souffriau and Van Oudheusden (2011).

### III) METHOD

Travelling salesman problem algorithms were employed to achieve the objective of the study. Seven scenarios were created to reflect the variety of problems that the method can solve. Some assumptions have been made through various scenarios. Three of these seven scenarios are given as examples.

#### 1.1. SCENARIO 1: ONE SPECIAL REGION

The distances among the most touristic points in the Aegean region are given in Table 1. Optimal tour routes are determined by the travelling salesman problem algorithms for 10 touristic places in the Aegean region for travelers who want to see 2,3,...,10 of them and their corresponding distances are specified (see Table 2). Also, the estimated time of travel for each distance was calculated with the assumption of traveling at an average speed of 60 kilometers per hour. The results are also given in Table 2.

Table 1

Distances between touristic points in the Aegean region

		1	2	3	4	5	6	7	8	9	10
	AEGEAN	Akyak a	Bodru m	Çeşme	Gökova	Kuşadası	Marmaris	Pamukkale	Söke	Şirince	Urla
1	Akyaka	0	136	315	5	184	33	173	173	192	278
2	Bodrum	136	0	320	137	153	166	250	133	182	283
3	Çeşme	315	320	0	316	178	344	316	188	164	64
4	Gökova	5	137	316	0	184	30	174	174	193	279
5	Kuşadası	184	153	178	184	0	213	185	21	29	142
6	Marmaris	33	166	344	30	213	0	203	203	221	307
7	Pamukkale	173	250	316	174	185	203	0	173	192	278
8	Söke	173	133	188	174	21	203	173	0	50	151
9	Şirince	192	182	164	193	29	221	192	50	0	127
10	Urla	278	283	64	279	142	307	278	151	127	0

Table 2

Details about the optimal routes

ROUTE	NUMBER OF POINTS	DISTANCE (KM)	TIME (Hour)
1,4,1	2	10	0.17
1,4,6,1	3	68	1.13
5,8,10,9,5	4	328	5.47
1,4,9,5,8,1	5	421	7.02
1,4,6,9,5,8,1	6	479	7.98
1,4,6,9,5,8,2,1	7	575	9.58
1,6,4,2,8,5,9,7,1	8	748	12.47
1,4,6,10,3,9,5,8,2,1	9	889	14.82
1,6,4,7,10,3,9,5,8,2,1	10	1062	17.70

### ***1.2. SCENARIO 2: ONE SPECIAL POINT***

In this scenario, only seven points were included in the tour plan from the 10 touristic points in the Aegean region. One point of the 7 points is absolutely wanted to be visited. We selected that point to be Pamukkale. In this case, the optimal tour route will be longer and more costly than the case with seven points in scenario 1. The tour route will ultimately be 1,8,5,9,7,4,1 and the total distance will be 594 km according to the traveling salesman problem algorithm. This is the optimal solution for this scenario.

### ***1.3. SCENARIO 3: MORE THAN ONE ZONES***

This time the tour plan covers a total of 10 touristic points in three different regions, namely Marmara, Aegean and Mediterranean regions. The distances between the points that can be visited in these regions are given in Table 3. Consider a case that travelers want to see at least two points from each region. According to these constraints, a solution consisting of points 1,3,4,6,9,8,1 will be the route to be taken and the total distance will be 1069 km. The route is also shown on the map of Turkey (see Figure 1). The number of points and the regions that they belong to are given in Table 4.

## **IV) CONCLUSION**

The approach based on the traveling salesman problem algorithm was offered to increase customer satisfaction and profit, decrease costs while planning the tour in the tourism sector. For this purpose, an approach was made with industrial engineering perspective. It aims to visit more places with shorter distance and thus increase the customer satisfaction. This problem can be solved by using different approaches, modeling and meta-heuristic approaches. A different perspective was brought in the tourism sector which is sub-branch of the service sector.

Table 3

Distances between the touristic points in the three regions

		1	2	3	4	5	6	7	8	9	10
	<b>Marmara-Aegean-Mediterranean</b>	<b>Sapanca</b>	<b>Ayvalık</b>	<b>İznik</b>	<b>Kuşadası</b>	<b>Bodrum</b>	<b>Marmaris</b>	<b>Alanya</b>	<b>Kaş</b>	<b>Kemer</b>	<b>Manavgat</b>
1	<b>Sapanca</b>	0	438	84	572	714	672	844	717	615	628
2	<b>Ayvalık</b>	438	0	364	244	381	410	702	581	639	676
3	<b>İznik</b>	84	364	0	502	641	668	646	681	574	589
4	<b>Kuşadası</b>	572	244	502	0	153	213	537	385	445	480
5	<b>Bodrum</b>	714	381	641	153	0	166	556	337	462	498
6	<b>Marmaris</b>	672	410	668	213	166	0	452	230	360	395
7	<b>Alanya</b>	844	702	646	537	556	452	0	322	179	59
8	<b>Kaş</b>	717	581	681	385	337	230	322	0	144	266
9	<b>Kemer</b>	615	639	574	445	462	360	179	144	0	122
10	<b>Manavgat</b>	628	676	589	480	498	395	59	266	122	0



Figure 1

The optimal route for scenario 3

Table 4

Points on the optimal route and the regions that they belong

Marmara		Aegean		Mediterranean	
1	3	4	6	9	8

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# UNDERSTANDING INFORMATION SEARCH BEHAVIOURS OF LEISURE TOURISTS IN DUBAI

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## ABSTRACT

Understanding how leisure tourists search for information while planning their trip and when making onsite decisions is a vital challenge for destination marketers. A number of typologies of information sources exist that are classified as internal or external. However, country of normal residence and language spoken are central in understanding the information searching behavior of leisure tourists. Based on a survey of 221 respondents including Arabic, English, and Chinese speaking leisure tourists in Dubai, this paper proposes that cultural differences have an important influence on travel information searching behaviours. Significant differences were identified between the three respondent groups. Such findings are particularly significant for Dubai in order to achieve its tourism vision 2020 of attracting 20 million visitors. The findings of this research should help Dubai marketers to develop promotional strategies that take into consideration the cultural differences. Dubai's marketers should be addressing the cultural groups on the basis of their ways of exploring destinations.

**Key words:** Information searching, leisure tourists, destination marketers, cultural differences, Dubai.

## 1. INTRODUCTION

Understanding the behavior of leisure tourists in searching information is acknowledged as significant factor not only to tourism scholars but also to tourism practitioners (Foudness and Murray, 1997; Raitz and Dakhil 1989). Understanding how leisure tourists search for information while planning their trip and throughout their visit is a vital challenge for destination marketers (Snepenger and Snepenger, 1993; Fodness and Murray, 1997, 1998; Nishimura *et al.*, 2006, 2007). Given the increased competitiveness of tourists' destinations, awareness of tourists and the selection of tourism and hospitality products are significantly determined by the information available to them (Foudness and Murray, 1997; Moutinho 1987). Internal or external sources of information are critical for tourists' choice and selection of destination as well as for making onsite decisions that will eventually influence their behavior as tourists. Onsite decisions include those related to tourist attractions, hotels, events and activities, and travel mode (Perdu 1985; Foudness and Murray, 1997). Tourists pursue to enrich the quality of their visit by

reducing the level of any related uncertainty by information search (Foudness and Murray, 1997). However, cultural differences may play significant role in information searching behavior (Chiang et al., 2012; Gursoy and Chen, 2000; Osti *et al.*, 2009). The influence of culture on traveler information preferences has been widely noted. Thus, this research examines the role of cultural differences between Chinese, Arabic, and English speaking tourists visiting Dubai in information search behaviours.

## 2. LITERATURE REVIEW

Conducting comparative cross-cultural Research should significantly assist with the determination of any differences in tourists behaviour based on the country of residence (Chen, 2000; Reisinger and Turner, 2003; Osti et al., 2009). A variety of information sources exist for tourists to use and may be classified as internal and external search sources (Foudness and Murray, 1997). Internal sources include past experience with the specific destination or with similar destinations may be used by tourists as the main source of information for planning a repeat visit to a tourist destination. However, search typologies may include other sources from the external environment involving considerable effort and a variety of information sources ((Foudness and Murray, 1997)). Six external sources of information about Dubai as a leisure tourist destination are examined in this paper: Travel agencies; Internet; relatives and friends; TV commercials; brochures and commercial guidebooks; and magazines and newspapers.

Dubai, the most populated emirate in the United Arab Emirates (UAE), is currently recognized as one of the world's leading international tourism destinations. Dubai has successfully established itself as one of the densely visited tourism destinations not only in the Middle East but across the world. The UAE's foray into economic diversification to increase the non-oil sector's contribution to the country's GDP by the year 2030 included focus on tourism development particularly in Dubai. Tourism industry is increasingly progressing as an extremely valuable sector (Sharpley, 2008). However, Dubai wishes to further expand its tourism **industry**. The ruler of Dubai His Highness Sheikh Mohammed bin Rashid Al Maktoum, who is widely recognized as the driving force behind the successful tourism development and economic prosperity in Dubai, has announced early 2013 Dubai's Tourism Vision for 2020 which is attracting 20 million visitors. Sheikh Mohammed's envisions Dubai being the "most visited city" in the world.

To achieve its tourism vision for 2020, Dubai should maintaining market share across its current source markets because economic and demographic growth will lead to a natural rise in tourists arrivals from these top markets such as Saudi Arabia, the UK, Germany, and the USA). However, Dubai should reach an even wider audience by targeting tourists from tourism markets that have been identified as high growth potential such as India, China and Australia. Maintaining existing tourism markets and attracting tourists form new markets implies marketing strategies that require a complete understanding of the behavior of leisure tourists in searching information taking into consideration cultural differences between different nationalities and language spoken. Such understanding of the information searching of leisure tourist on the basis of target market has significant marketing implications. For the purposes of this research Chinese (China, Hong Kong, and Singapore), Arabic (Middle Eastern countries including GCC), an



English (USA, Canada, UK, and Australia) speaking tourists information search behaviour will be examined to identify whether there are cultural differences or not.

### **3. METHODOLOGY**

This research is based on a survey. A self-administered survey was employed to collect data for this study. The questions were about different sources of information that the tourists used in planning for their trip and in making on-spot decisions during their stay at the destination and Six external sources of information about Dubai as a leisure tourist destination are examined in this paper: Travel agencies; Internet; relatives and friends; TV commercials; brochures and commercial guidebooks; and magazines and newspapers as shown in Table1.

To examine whether strategies for information searching are influenced by the respondents' cultural backgrounds, Chinese, Arabic, and English speaking tourists have been approached and asked to participate in the survey. First, the questionnaire was developed in English and then translated into Chinese and Arabic. Questionnaires took approximately 5 minutes to complete and were collected on-site. Two trained research assistants were sent to Dubai to distribute and collect the questionnaires. A total of 211 Saudi tourists were selected based on a convenience sampling method.

### **4. RESULTS**

As indicated in Table 1, more than half of Arabic and Chinese respondents were male (56.7%, 53.1% respectively), while English respondents more than half of the respondents were women (52.9%). Majority of Arabic, English, and Chinese respondents were single (59.6%, 52.9%, and 62.5% respectively); Arabic speakers mainly aged 20–30 (28.8%), while English speakers mainly aged 31-40 (31.8%), and Chinese aged 41-50 (46.95%). Arabic, English, and Chinese respondents possessed a university level (63.6%, 55%, and 53.3% respectively). The most prominent income for all respondents from the three groups was US\$ 41-50 000 (31.1%, 35%, and 32.2% respectively).

**Table 1: Respondents profile**

Demographic variable	Total (N = 221)		Arabic Speakers (n = 104)		English Speakers (n = 85)		Chinese Speakers (n = 32)	
	n	%	n	%	n	%	n	%
<b>Gender</b>								
Male	116	52.5	59	<b>56.7</b>	40	<b>47.1</b>	17	<b>53.1</b>
Female	105	47.5	45	<b>43.3</b>	45	<b>52.9</b>	15	<b>46.9</b>
<b>Marital Status</b>								
Married	94	42.5	42	<b>40.4</b>	40	<b>47.1</b>	12	<b>37.5</b>
Single	127	57.5	62	<b>59.6</b>	45	<b>52.9</b>	20	<b>62.5</b>
<b>Age</b>								
20-30	55	24.9	30	<b>28.8</b>	20	<b>23.5</b>	5	<b>15.6</b>
31-40	64	29.0	28	<b>26.9</b>	27	<b>31.8</b>	9	<b>28.1</b>
41-50	53	24.0	21	<b>20.2</b>	17	<b>20.0</b>	15	<b>46.9</b>
51-60	27	12.2	13	<b>12.5</b>	12	<b>14.1</b>	2	<b>6.3</b>
More than 60	22	10.0	12	<b>11.6</b>	9	<b>10.6</b>	1	<b>3.1</b>
<b>Education</b>								
Primary school	8	3.8	3	<b>3.0</b>	3	<b>3.75</b>	2	<b>6.7</b>
Middle school	14	6.6	6	<b>6.1</b>	7	<b>8.75</b>	1	<b>3.3</b>
High school	43	20.3	18	<b>18.2</b>	19	<b>23.8</b>	6	<b>20.0</b>
University	123	58.0	63	<b>63.6</b>	44	<b>55.0</b>	16	<b>53.3</b>
Post-graduate university	24	11.3	12	<b>12.1</b>	7	<b>8.8</b>	5	<b>16.7</b>
<b>Annual income (USD)</b>								
less than 30,000	8	3.7	3	<b>2.9</b>	3	<b>3.6</b>	2	<b>6.5</b>
31 000-40 000	52	24.0	24	<b>23.3</b>	22	<b>26.5</b>	6	<b>19.4</b>
41 000-50 000	71	32.7	32	<b>31.1</b>	29	<b>35.0</b>	10	<b>32.2</b>
51 000-60 000	62	28.6	32	<b>31.1</b>	22	<b>26.5</b>	8	<b>25.8</b>
More than 60 000	24	11.1	12	<b>11.7</b>	7	<b>8.4</b>	5	<b>16.1</b>

As indicated in Table 2, different information searching was evident between the three groupings (chi-square value = 87.127; degrees of freedom [df] = 12; p = 0.00). Arabic speakers were found to rely primarily on internal resources represented by past experience (70.5%) then on relatives or friend (66.7%) and magazines and newspapers (63.6). English speakers rely significantly on Internet as a main source for information search (69.2%), followed by TV commercials (51.5%), then brochures and commercial guidebooks (33.3%). On the other hand, Chinese respondents rely mainly on travel agencies (49%), followed by brochures and commercial guidebooks, then Internet (7.7%).

**Table 2: Differences in information-searching strategies by source market.**

Information search strategy	Total (N=221)	Arabic Speakers (n = 104)		English Speakers (n = 85)		Chinese Speakers (n = 32)	
		n	%	n	%	n	%
Travel agency	49	15	<b>30.6</b>	10	<b>20.4</b>	24	<b>49.0</b>
Personal experience	44	31	<b>70.5</b>	13	<b>29.5</b>	0	<b>0</b>
Internet	39	9	<b>23.1</b>	27	<b>69.2</b>	3	<b>7.7</b>
Relatives and friends	33	22	<b>66.7</b>	10	<b>30.3</b>	1	<b>3.0</b>
TV commercials	33	14	<b>42.4</b>	17	<b>51.5</b>	2	<b>6.1</b>
Brochures and commercial guidebooks	12	6	<b>50.0</b>	4	<b>33.3</b>	2	<b>16.7</b>
Magazines and newspapers	11	7	<b>63.6</b>	4	<b>36.4</b>	0	<b>0</b>

Note: Chi-square value = 87.127; df = 12;  $p = 0.00$

Chi-square tests were used to examine the relationship between the nationality and language spoken of the respondents and their strategies of searching information. The results of the chi-square test (chi-square value = 87.127; df = 12;  $p = 0.00$ ) indicated that cultural differences exist between the three groups in their travel information searching. Thus, cultural aspects have an important influence on travel information searching.

## 5. CONCLUSION

Interest in information search is reasonably significant and tourism researchers have directed substantial consideration to this area. This paper proposed that the concept of cultural difference is vital in understanding information searching and travel behaviours in leisure tourism in Dubai. Cultural aspects were found significant in the selection of strategies for information sources of leisure travellers in Dubai and thus, in identifying the way in which tourists explore Dubai. The findings of this research are significant for addressing matters of Dubai competitiveness as a tourist destination, particularly from a marketing perspective.

Dubai marketers should offer information that considers the cultural differences of leisure tourists. For example, English speakers often plan their trips by obtaining information based on the Internet, while Arabic speakers rely on their own past experiences or the experiences of their relatives and friends. Chinese speakers are significantly relying on travel agencies when they plan their trips. Such findings should help developing promotional strategies that take cultural differences into consideration. Dubai's marketers should be addressing the cultural groups on the basis of their ways of exploring destinations. This is particularly important for Dubai in order to achieve their tourism vision 2020 of attracting 20 million travelers mainly leisure tourists.

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# Examining Factors Influencing eWOM Intentions in Homestay Lodging

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## ABSTRACT

There has been growing acceptance for Homestay as popular choice of accommodation among travellers. However, because the intangible quality of lodging services that may induce consumers' perception of risk, travellers are relying on eWOM (electronic word-of-mouth) to assist them with purchase decision. Simply put, travellers are identified to trust the written review of eWOM, particularly when choosing lesser known lodging accommodation. Focusing on homestay lodging in Malaysia, the present study aims to conceptualise a theoretical model of eWOM intention. More specifically, this paper intends to examine the relationship between information quality, system quality, service quality, and user satisfaction towards eWOM intention. Five research hypotheses are constructed and measured using modified 25 battery-item. The initial pilot test using 50 undergrads students produce strong unidimensionality for the 5 variables. For methodological analysis, the study plans to employ heterogeneous purposive sampling for data collection. The data subsequently been purified using exploratory factor analysis, validated using discriminant analysis, and the hypotheses contrasted through structural equation modelling.

**Keywords:** *electronic word-of-mouth, homestay, information quality, satisfaction, service quality, system quality*

## INTRODUCTION

Homestay presents a unique lodging sector within the tourism industry. The distinctiveness of homestay concept lies on its ability to offer personalized services and homely environment for customers. Pusiran and Xiao argue that customer are beginning to accept homestay as an alternative choice of accommodation when travelling, because homestay offers them the comfort of one's own home [7]. This small scale operation also attracts those who seek something different from conventional hotel atmosphere. For instance, majority of homestay in Malaysia offers customers with unique blends of local culture. However, selecting suitable homestay has not been an easy task for many customers. For many cases, customer relies from online sources to search for information about homestay lodging.

Jeong and Shawn argue that interaction via electronic Word-of-Mouth (eWOM) influences customer's selection, purchase decisions, pre-usage, and post usage perceptions of a service [16]. The freedom and anonymous nature of online environment further help to promote interaction of eWOM among customers in cyberspace. Litvin, Goldsmith and Pan further indicate that these interactions are crucial for tourism and lodging sectors whose intangible products are difficult to evaluate prior to consumption [26]. As Gunasekaran and Anandkumar point out, the eWOM influences travellers' decision and expectation towards choice of accommodations [11]. However, the extant literature focusing on homestay and eWOM intention has not been well explicated. Moreover, theoretical

understanding on eWOM for homestay has been scarce and poorly documented. In light of this void, the present study aims to develop a model explicating factors influencing consumers' intention towards eWOM in homestay industry. Basing on DeLone and McLean theory of information system success, the objectives of present study are twofold [40]. First, this study intends to examine the effect of service quality, information quality, system quality, and satisfaction towards eWOM intention. More specifically, the study posits that these constructs significantly influence consumers' perception to engage in eWOM regarding their homestay experiences. The second objective of this study is to investigate the role of satisfaction as mediator towards eWOM intention. The dimension of satisfaction has often been suggested as an important determinant of behavioural intention. However, only little has been paid on the role of satisfaction as mediator towards eWOM intention from the homestay context. The specific research objectives are fourfold: (1) to examine the relationship between customers perception of service quality and satisfaction towards homestay (2) to identify the relationship between system quality and homestay customers intention to engage in eWOM (3) to measure the linkage between information quality and homestay customers intention to engage in eWOM, and (4) to investigate the role of satisfaction as mediator towards eWOM behavioral intention.

The Malaysia homestay setting was used for present study. The Malaysian exponential growth of homestay and tourism industry justifies the selection of Malaysia for the present study. For instance, the market survey conducted by Malaysian Rural Tourism master plan indicates that foreign tourists who visited Malaysia spent 15% of their stay in rural areas. The recent statistics also report a significant increase in the number of tourists selecting homestay as choice of preference for accommodation in Malaysia. According to The Star, the eight months analysis in year 2009 shows that more than 100 000 visitors with a turnover of RM6.5 million participate in the Malaysia homestay programme compare to 40 000 visitors with the value of RM 3.3 million during the same period in preceding year.

This endeavour would provide better insight for hospitality industry from theoretical and managerial perspective. Specifically, this study would provide organizations with useful strategies in maintaining market share by utilizing the role of eWOM in homestay industry. From the theoretical perspective, the present empirical investigation offers further validation on DeLone and McLean theory of information system success [40].

The remainder of this study is organized as follows. The next chapter provides a review on homestay and the role of eWOM. Drawing from information system success theory, the following section presents the research hypotheses. The third chapter describes the methodology used for the present study. Next, the results of data analysis addressing the present study's research objectives are then presented. The study concludes with a discussion of the findings, theoretical and managerial implications, limitations of the study, and suggestions for further research.

## LITERATURE REVIEW

### *2.1 Homestay lodging*

The homestay concept has been recognised as alternative accommodation among travellers. The concept combines customers dwelling space with the homestay actual resident [7]. This unique concept offers customers opportunity to experience the way of life of local people and indigenous cultures within a homely setting.

The concept blends well with Malaysian multiple cultures, and many local lodging operators are taking advantage as business opportunity. Majority of homestay in Malaysia offers pure accommodation and uses private home for tourist to lodge when travelling and unifies the culture, natural scenes, ecology, and environment. For the tourists, homestay appeals for several reasons. First, the homestays offers better service and customise to be more attentive towards customers. As Gunasekaran and Anandkumar point-out, the role of personalisation has a significant influence on travellers' perception towards homestays [11]. Second, this small property concept allows travellers to easily become acquainted with new people and surrounding community [39]. By comparison, the homestays are distinctively different from standard rooms offered by hotels; which the latter are more focused on luxury accommodation [5].

### *2.2 The growing role of eWOM in hospitality and lodging industry*

The advent of internet technology helps to enhance the role of word-of-mouth [26] [33]. During internet revolution in 1990s, Amazon.com, an online retail bookstore begins implementing eWOM as part of marketing strategies. The company allows consumers to become more engaging by posting reviews on purchased product. The result has made Amazon.com become a mammoth in online retail business [25]. Since then, many leading online tourism services have beginning to emulate similar approach, such as Agoda.com and Expedia.com, to encourage participation in online community and promoting customers' engagement with one another. For instance, the online

booking website of TripAdvisor.com provides unbiased customer reviews, average customer ratings and product information.

More recently, many of the small scale lodging operators have started to invest in eWOM. For example, BedAndBreakfast.com, the largest bed and breakfast on the internet has dedicated a special section on its website for customer to post reviews and sharing ratings; such as, guest rooms, services, values, cleanliness and dining [5].

The extant studies have highlighted the prowess of eWOM. For instance, the literature indicates that eWOM influence decision making process in tourism, whose intangibility makes evaluation difficult prior to consumption [26]. Sen and Lerman assert that consumer-generated review messages are more influential in decision making because consumers trust their peer consumers more than the advertiser of marketer [29]. Similar study by Litvin also supported the notion that consumers have the ability to exert powerful influences upon each other [26]. Studies further demonstrate that eWOM has a strong impact on product valuation; thus, has stronger effect on lesser-known lodging [13]. For instance, Chen, Lin and Kuo and Nuntsu, Tassiopoulos and Haydan indicate that customers for bed and breakfast perceive eWOM to be the most useful source of information [5][39]. The empirical study by Vermulen and Seegers [22] on traveller lodging preference also offers similar results. The authors find that positive and negative reviews induce tourists' sense of awareness. Another similar study, suggests that positive reviews, together with numerical ratings details, increase both booking intention and consumers perception of trust [26].

Chen and Xie argues that consumers use eWOM as alternative to reduce risk and uncertainty when making accommodation purchase decision [25]. Moreover Johnsan and Grayson reviews posted on online travel portal provide customers with vicarious access to prior service experience on which they can base their relief or trust on particular company [35]. The results of experiment by Dickinger supported this notion; the study shows that user generated content appears to be highly trustworthy for potential customers [13].

### **3.0 Theoretical background and hypotheses development**

The present study builds on DeLone and McLean's theory of information system success [40]. The information system success describes a multi-layered taxonomy consisting of quality measures (i.e., system and information quality), attitudinal outcomes, and performance related outcomes. More specifically, the theoretical paradigm of information system success model posits that there are positive and direct effects of perceived quality on consumer behavioural relationship (i.e., satisfaction and net benefits). Developed by DeLone and McLean, the theory consists of "temporal and causal" interdependencies between six categories of information system success model and introduced dimension of service quality into the taxonomy framework [40]. For the current study, we posit that information quality, service quality, system quality, and satisfaction influence consumer perception towards eWOM intention. The following subsection provides the research hypotheses and discusses the theoretical linkage between these constructs and its effect on customer satisfaction and eWOM intention.

#### *3.1 Information quality*

Information quality refers to quality of outputs the information system produces, which can be in the form or report or online screens [38]. Molla and Licker refer this quality of reports and screens as content quality. When customer's perceived the information that meets their needs and criteria, they are willingly to critique the value of each product or services based on their purchase decision [43] [45]. According to Jeong and Lambert, in a computer mediated environment, customer's purchasing decisions on a firm's products and services can be determined by their perceived quality of information [42]. Studies also assert that information quality of company's offerings as essential component on company positive image [40].

The four dimensions of quality information are accuracy, completeness, consistency and currency [29]. Accuracy entails agreement with an attribute about the real world entity, a value stored in another database or the result of an aromatic computation. Completeness describes specific application and whether all of the data relevant to the application are present. The consistency refers to an absence of conflict between two datasets while currency refers to up-to-date information. Studies show that perceived information quality affects individual's evaluation of system performance [36]. However, when the products information does not conform to customers' needs, these customers will be dissatisfied [18]. Likewise, the poor quality of information also causes distraction for users because it increases user's search and information processing costs. For instance, out dated information make it more difficult for users to find valuable information. Conversely, high quality of information will help users have a better understanding of the topic and make a better decision [8].

Research by Yang points out that information quality affects consumers' online satisfaction simultaneously indicates that when consumer is interacting using a portal or website, customer pay more attention on the quality of

information [30]. The extant studies supported the notion of information quality as significant determinant of online satisfaction also validated the relationship between information quality and user satisfaction [43] [45] [47].

The growth of tourism and hospitality industry depends on credential of information quality. For instance, research identify that most travellers would be relying on information quality due to the intangible nature of service prior to consumption [26]. From the preceding discussion, the present study posits that information quality plays an essentials role on homestay lodging customers' sense of satisfaction. Therefore, the following hypothesis is suggested:

***H1: Information quality has a significant effect on user satisfaction***

### *3.2 Service quality performance*

The concept of service quality describes as the degree of discrepancy between customer's expectations and perceptions of service performance [48]. Service quality has been suggested to promote customer loyalty and retention [31]. Studies indicate that service quality has a significant impact on customer satisfaction, loyalty, purchase decision, and company's financial performance. However, the inclusion of service quality in extant literature of information system (IS) studies has not been well documented. For instance, Yang argue that majority of investigations in IS service have failed to look at the broader picture that e-service quality is more than just how a consumer interacts with a website [30]. Correspondingly, research assert that building these values require e-tailers to focus on e-service quality before, during and after the transactions [14]. Moreover, service quality also played an important role for web communities because online communication lacks face-to-face contact.

Based on DeLone and McLean, the present study postulates that satisfaction is affected by the level of support and perception of service quality provided by homestay operators [40]. This notion is supported by Harris and Goode that suggest service quality plays an important role to enhance user satisfaction. Thus, the following hypotheses [37]:

***H2: Service quality has a significant effect on user satisfaction.***

### *3.3 System quality and satisfaction*

System quality represents the collection of business processes focused on the information system processing in order to simultaneously achieve quality standard and objectives [18][47]. Research state that perceived system quality describes an individual's evaluation of the performance of system features based on user's experience of system usage [36]. System quality dimension may have different relative importance in virtual site. In virtual site, huge amount of information are being posted every day; thus, information overload is prone to occur. Therefore, effective navigational tools become crucial to facilitate users' searching process [8]. The user's sense of security has also been suggested to be an important component of system quality [40]. Because majority of sites only exist in virtual world, users are concerned about their personal information being disclosed to public. For that reason, it is critical for virtual sites to maintain and protect user's privacy and make users feel safe and comfortable when participating in the website. The impact of system quality on user satisfaction has also been empirically tested in previous information system studies [29]. From the preceding discussion, it is proposed that:

***H3: System quality has a significant effect on user satisfaction.***

### *3.4 Satisfaction and eWOM Intention*

Satisfaction refers to the perceived discrepancy between prior expectation and perceived performance after consumption in which performance differs from expectation, dissatisfaction occurs [40]. The emotional assessment of satisfaction has also been described as a degree to which one believes that an experience evokes positive feelings. DeLone and McLean defines satisfaction as the most important success measures as they capture the balance of positive and negative impact on customers, suppliers, employees, organization, markets, industries, economies and even society that refers to entity level of approval regarding a product's or service perceived performance [40].



The existence of eWOM had strongly influenced travellers to make decisions as the ability of eWOM to produce powerful influences [18]. Research results reveal that negative eWOM can be generated more easily than positive eWOM. Travellers who experienced satisfactory incidents are not likely to recommend or convince others to use the service provider's offerings than their dissatisfied counterparts [4]. In this line, dissatisfaction can cause negative eWOM directly, and regretful travellers are more likely to spread negative eWOM [1]. Research conducted by Ha and Im also proven that satisfaction shows a positive impact on eWOM intention. Satisfied online customers are more likely to recommend the web site to others than dissatisfied customers [12]. As such, traveller's satisfaction also has become one of the key measures of the effectiveness in outperforming others [2]. It has been convincingly shows that satisfaction turns to focus on developing eWOM intention [1] [4]. In other words, when online travellers are satisfied (or unsatisfied) with services provided they will post their respective opinions on the Internet and also share them with family members and friends. This practice will in fact influence the eWOM intention [9]. Therefore, this study may assume that traveller's satisfaction on Homestay experience leads to a more intention to engage in eWOM. Hence it is proposed that:

**H4:** *Satisfaction has a significant effect on eWOM intention*

### *3.5 Mediating role of satisfaction on eWOM intention*

According to González et al., when the relationship is not in direct manner, customer satisfaction may serve as a moderator or even interference in behavioural intentions relationship. However, from an extensive review of literature, majority of studies often postulate consumer satisfactory evaluation as direct antecedent of behavioral disposition [28]. On the contrary, a comprehensive eWOM intention model that incorporated satisfaction as moderating effect of information quality, service quality and system quality on eWOM intention has not been properly explicated.

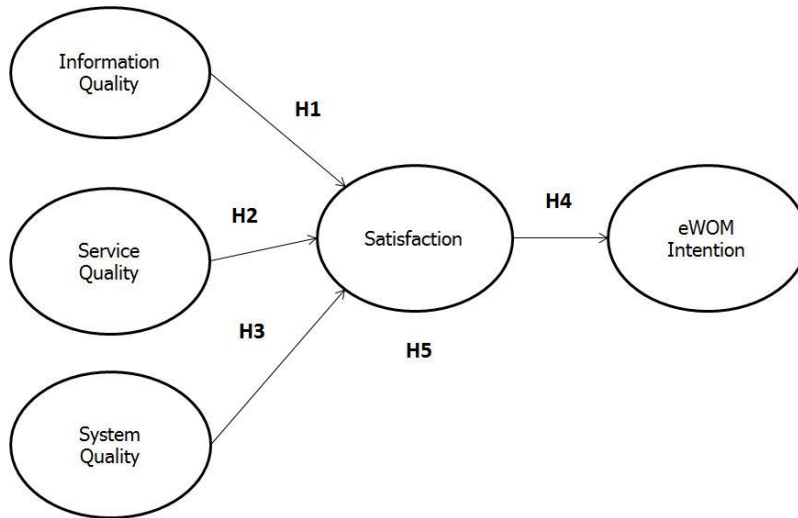
Kim and Niehm indicate that perceived information quality positively correlate with consumer's behavioural intention (e.g. recommending to others) via satisfaction [20]. Simply put, online customers who perceive the information provided to be of high quality are likely to be satisfied with the website and consequently generate positive eWOM. For instance, research suggest that companies that provide all relevant and complete information about services or products earns higher eWOM, that result from extreme customer's satisfaction [15]. On the same note, the research stream also suggest that satisfaction mediated the effect of system quality and service quality on eWOM intention [24] [26] [38]. More specifically, it is reasonable to think that satisfied customers would act as promoter and gives positive comments to another fellow customer [10][12][27]. Thus, the following hypothesis was proposed:

**H5:** *Satisfaction is a significant mediator on eWOM*

## **METHODOLOGY**

### *4.1 Research framework*

Figure 1 shows the model framework for present study. The model postulates that three dimensions of service quality, system quality, and quality of information about a homestay have a direct and significant influence on consumer perception of satisfaction. The study also posits positive relationship between consumers' satisfaction and eWOM behavioural intentions. Finally, the present study hypothesised that consumers' emotional assessment of satisfaction has a significant effect as mediator on consumer intention to engage in eWOM behaviour.



**Figure 1: Model Framework**

#### 4.2 Measurement

The survey procedure was employed for present study. The measurement instruments were developed based on extensive review of literature. The survey is divided into two sections. The first section collects information on respondents' demographic profile. The second part contains measurement instruments on theoretical constructs for present study. The dimension of information quality was measured using six battery-item adopted from [23], [34] and [35]. Specifically, these items required respondents to answer about the quality of information provided by the visited homestay website. For example, 'the websites provides accurate information' and 'The website provides sufficient information to what exactly I need'. The study measured dimension of service quality using six items from [34], [44], and [48]. These items contain essence of empathy, assurance, responsive, and reliability. Several of these questions state, for instance, 'the website has empathy with customer's problem', 'the website has quick responsiveness to customers', and 'the website has services follow up to customers'. The six measurement items from [6], and [8] were adopted to measure dimension of system quality. For example, 'this website has well organized hyperlinks' and 'the website is easy to navigate'. Based on promising literature review, four items pertaining to online customer support, information support, and overall experience were employed to measure customer's emotional assessment of satisfaction [24]. Finally, the dimension of eWOM intention was measured using five items (i.e. shares experience, shares positive reviews, recommendations, encouraging people) from [21], and [46]. These survey instruments were measured using 5-point Likert scale (i.e. anchored at 1 = strongly disagree and 5 = strongly agree). Table 1 shows the list of measurement instruments and references that were used for current study.

**Table 1.Measurement items**

Dimensions	References
<b>Information Quality</b> (IQ1) The websites provides useful information (IQ2) The websites provides accurate information (IQ3) The websites provides relevant information to customers (IQ4) The websites provides updated information (IQ5) The website provides sufficient information to what exactly I need (IQ6) The website's information is easy to understand	Brown and Jayakody (2008), Cao, Zhang, and Seydel (2005), Chen, Rungruengsamrit, Rajkumar, and Yen (2013), Muylle, Moenaert, and Despontin (2004)

<p><b>Service Quality</b></p> <p>(SQ1) The website has empathy with customer's problem</p> <p>(SQ2) The website has assurance to solve customers' problem</p> <p>(SQ3) The website has quick responsiveness to customers</p> <p>(SQ4) The website has interactive feedback mechanism between customer and business</p> <p>(SQ5) The website makes it easy to communicate with the organization</p> <p>(SQ6) The website has services follow up to customers</p>	<p>Cao et al. (2005), Liu and Arnett (2000), A. Parasuraman, Berry, and Zeithaml (1993)</p>
<p><b>System Quality</b></p> <p>(SyQ1) This website has well organized hyperlinks</p> <p>(SyQ2) This website has high speed of accessing</p> <p>(SyQ3) This website is easy to navigate</p> <p>(SyQ4) The website is always available for business</p> <p>(SyQ5) The website is easy to use</p> <p>(SyQ6) All elements load quickly</p>	<p>Chen et al. (2013), Zheng, Zhao, and Stylianou (2013)</p>
<p><b>Satisfaction</b></p> <p>(SAT1) I'm satisfied with online customer support provided by the website.</p> <p>(SAT2) I'm satisfied with online information support by the website.</p> <p>(SAT3) I'm satisfied with the offline services by this company.</p> <p>(SAT4) I'm very satisfied in overall experience with this company.</p>	<p>Casaló, Flavián, and Guinalú (2008), Chen et al. (2013), Wang, Tang, and Eddie Tang (2001), Zheng et al. (2013)</p>
<p><b>eWOM Intention</b></p> <p>(INT1) I will recommend this company if someone asks me information on the Internet</p> <p>(INT2) I will tell friends about good experience with this company through websites, blogs chat rooms, email or other internet communication channels</p> <p>(INT3) I will say positive things about this company to other friends through websites, blogs chat rooms, email or other internet communication channel</p>	<p>Blodgett, Hill, and Tax (1997), Matos, Rossi, Veiga, and Vieira (2009)</p>

#### 4.3 Sampling frame and data collection

The sample was drawn using heterogeneous purposive sampling. This sample was taken from customers listing provided by homestay's operators in Malaysia. The procedure for estimation the number of respondents follows Brown and Jayakody [23]. This approach also corroborates with [43] that recommended collecting between five to ten respondents for each measurement item. Based on these suggestions, we distributed and contacted 300 respondents to participate in the present study. This sample size was considered sufficient to reflect good measurement for 28 measurement items employed in present study. The sampling validity was further improved by selecting only respondents that have experienced homestays service within the past 6 months.

The data collected using online survey offers several advantages, such as time saving and lower fieldwork costs. Since majority of respondents are using the online when searching for homestay, suggest that these respondents are familiar with online medium and internet savvy. A total of 300 questionnaires were distributed to shortlisted respondents. The online survey was conducted for 12 weeks. However, considering the online response rate was expected to be comparatively low, a reminder email was sent out a week after first email was sent to improve the response rate.

#### 4.4 Pilot study

The pilot study was initially performed to assess the reliability of present research instruments. The procedure helps to enhance the clarity and readability of the questionnaire. This approach corroborates with few which point-out questionnaire should be pre-tested before final administration to improve reliability and validity [20] [32].

A pre-test study was carried out using 50 undergraduate business students from Universiti Malaysia Sabah, Labuan International Campus. These respondents were a relatively homogeneous population suitable for theory testing and development. They also represented a growing target market for the research context and were therefore considered appropriate for present study. From this initial pre-test, several questions were rephrased to improve the instruments readability. As suggested by Sekaran, reliability analysis was performed to examine the stability and consistency of psychometric properties [41].

The result of pilot study suggested that the internal consistency of the constructs were acceptable, with the alpha ranging from 0.881 to 0.954, which exceeded the minimum hurdle of 0.60 [19]. The dimension of information quality produce a Cronbach's alpha of 0.940, while service quality shows 0.881, and 0.897 for system quality. Satisfaction has a high value of alpha of 0.920 and 0.954 for eWOM intention. The analysis suggests that these dimensions are satisfactorily reliable, and we proceed with the data collection.

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## **DEVELOPMENT OF DELMA ISLAND, ABU DHABI**

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### **ABSTRACT**

This paper examines how Delam Island in Abu Dhabi in United Arab Emirates may be re-developed based on developing tourism facilities to attract tourists and retain residents. This study is based on the results of a survey conducted on 167 participants in Delma Island that examined the concerns related to the lack of development in the island. The results of the analysis of the primary data collected through the questionnaire have highlighted the significance of tourism development in the Island not only to attract tourists but also to retain residents. Residents of the island are increasingly re-locating their homes out of the island because of the lack of any development that may improve their quality of life and prevent them from outmigration. A map was created that represented the different types of development and land uses proposed by the participants. Comparison was made between the present plan developed by the Abu Dhabi Urban Planning Council UPC (UPC) and the proposed plan suggested by residents of Delma Island.

### **INTRODUCTION**

Delma Island is one of the oldest islands in Abu Dhabi. It is far from Al-Dhannah Mountain by forty two kilometers Northwest within the ocean, and 210 kilometers from Abu Dhabi. Delma Island covers an area of around forty five square kilometers. It was the vital pearl diving center in UAE. It additionally possesses evidences for palm cultivation within the region. Availability of water has created this fertile region which grows wide range of plants. The island is a home to about five thousand people, locals and expatriates, and it included two hundred fresh water wells, which make it as a popular hub at intervals in the past for water commerce. Also, the salt-dome in Delma Island is well-known nationally for the fertility setting further because the lush hilly landscape that makes it ideal for farming.

The main goal of the research is to examine the perception of the residents of Delam Island about the existing master plan of Delma and would be the emphasizes of a re-planning Delma. Thus, the main purpose of this study is to re-plan the island highlighting positive changes for the land use particularly regarding tourism development based on the perception of the residents of the island. Also, to achieve part of Abu Dhabi plan 2030 “Economic development policy in Abu Dhabi: building a sustainable economy, the balance of social development and regional approach that brings the benefits of economic growth to all residents of the emirate. Ensuring all the three regions of the emirate (Abu Dhabi, Al Ain and the Western Region) economically and socially from the development of the emirate a key element in the government's plan” (ecouncil, 2014).The final objective is to examine the significance of tourism development in the island to make it more attractive for residents and tourist.



## METHODOLOGY

The main hypotheses of the study are identified as the following:

Current plan of Delma Island cause outmigration

Delma Island needs re-planning

Tourism development in the island will improve the quality of life and thus retain the residents and attract tourists.

The sea is a main natural resource that could be employed for tourism development.

To examine the emphasizes of a plan of re-developing Delma Island based on the perception of its residents, a survey tool was developed in order to know what the residents need. In this project, we made a questionnaire containing 10 questions to evaluate the current plan of the island. Only the residents of Delma Island were approached to answer the questions and had 167 participants. Correlation between different variables was conducted using SPSS. A screenshot for Delma Island map taken from satellite image was used to propose a new map based on the resident's perception.

### Data sources

These are the resources we used to collect data:

Secondary data and master planned from UPC (Abu Dhabi Urban Planning Council)

Satellite image

Survey instrument was developed to collect the primary data.

## RESULTS

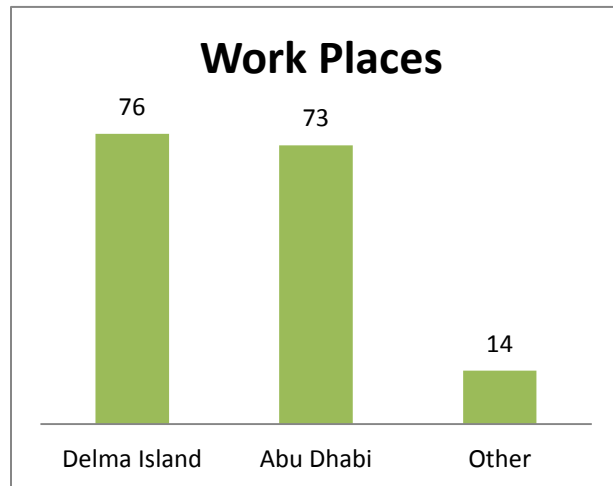


Figure1: shows the work places that most of people working in Delma Island which are 76 people. Then the workers in Abu Dhabi are 73 people. Finally, the workers outside the Island and Abu Dhabi are 14 people.

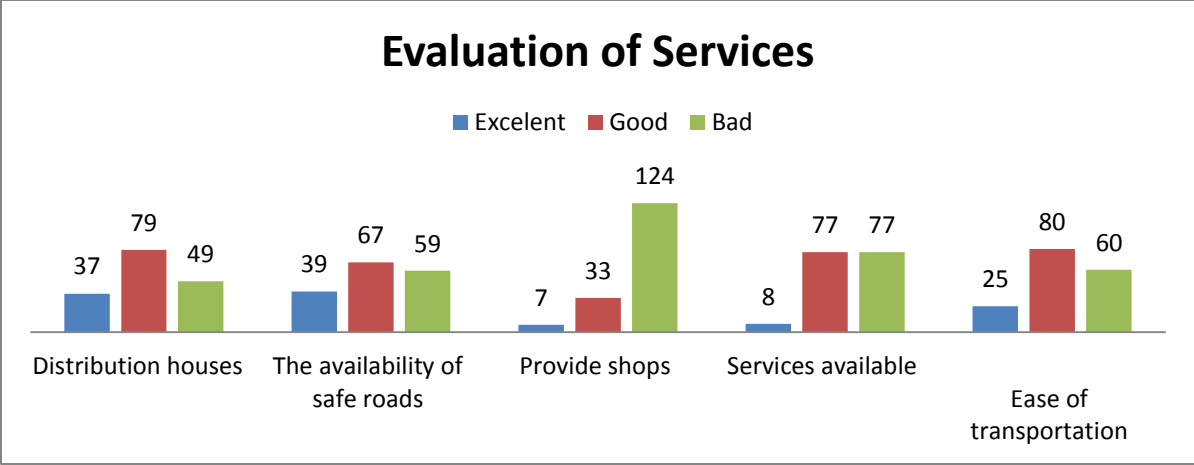


Figure2: displays the evaluation of the services by the Delma’s people. We found that the provided shops had a bad evaluation by 124 people. In the services availability, 77 people evaluated it as a bad service, and the same number of people evaluated it as a good service. 80 people evaluated the easiest transportation as a good transportation and the availability of safe roads was evaluated as a good transportation by 67 people. In the distribution of the houses, 79 persons evaluated it as a good distribution, but 49 people evaluated it as a bad one.

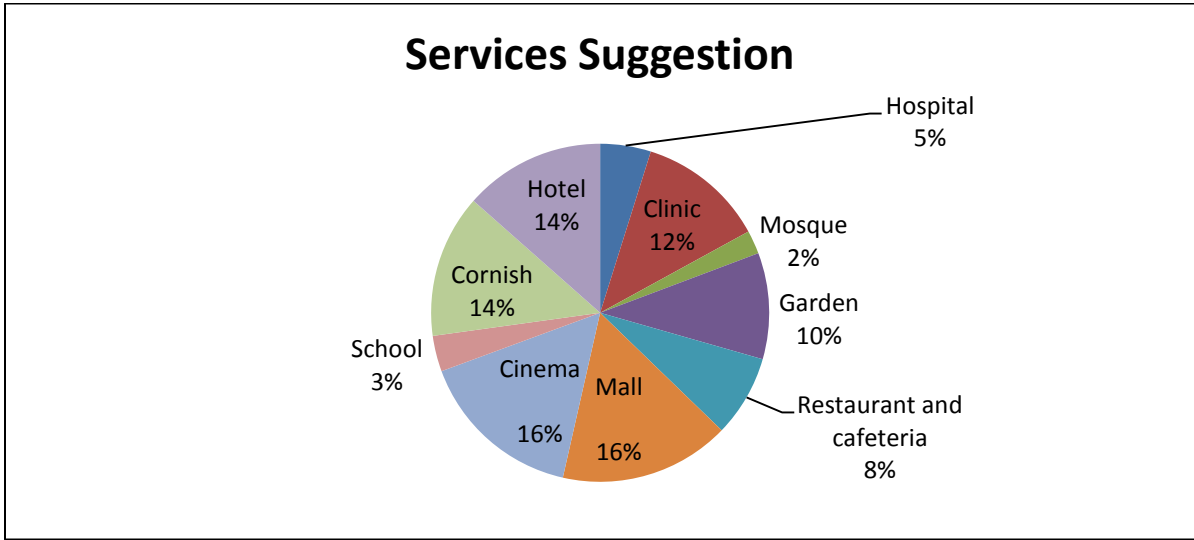


Figure3: shows the pie charts for suggested services in Delma Island which is 16% for both Mall and Cinema. 14% for both hotels and Cornish. 12% for clinics, 10% for gardens, 8% for restaurants and cafeterias, 5% for hospitals and 3% for schools.

			Provide safe roads	Availability of shops
Spearman's rho	Houses	Correlation Coefficient	.286	.313
	Distribution	Sig. (2-tailed)	.000	.000
		N	167	166

Correlation is significant at the 0.01 level (2-tailed).

Figure4: Spearman's rank correlation between three variables (Houses Distribution, Provide safe roads, Availability of shops).

- 1- There is positive moderate to weak relationship between houses distribution and provide safe roads (.286).
- 2- There is positive moderate relationship between houses distribution and availability of shops (.313).

# MAPS

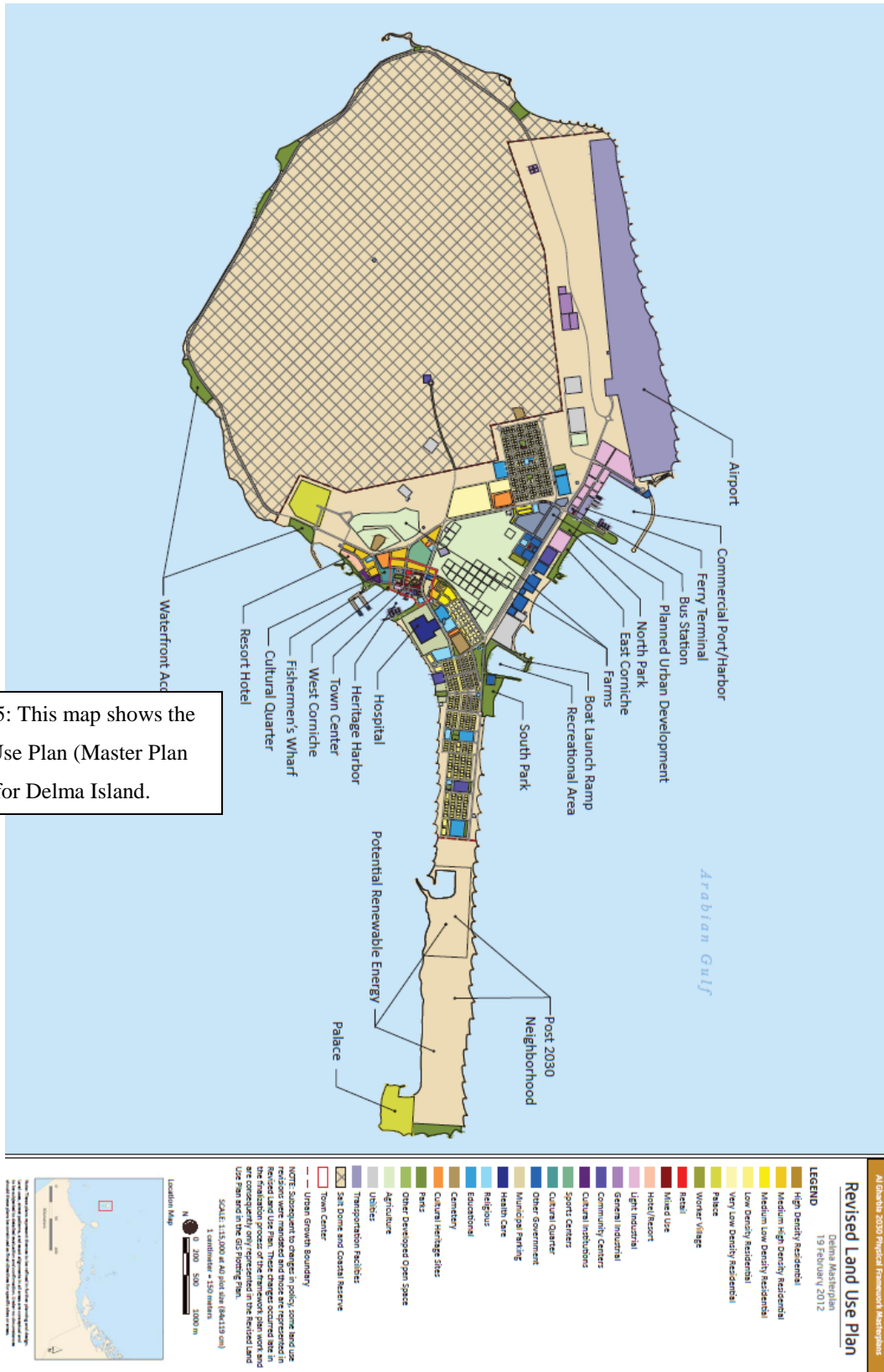


Figure5: This map shows the Land Use Plan (Master Plan 2012) for Delma Island.

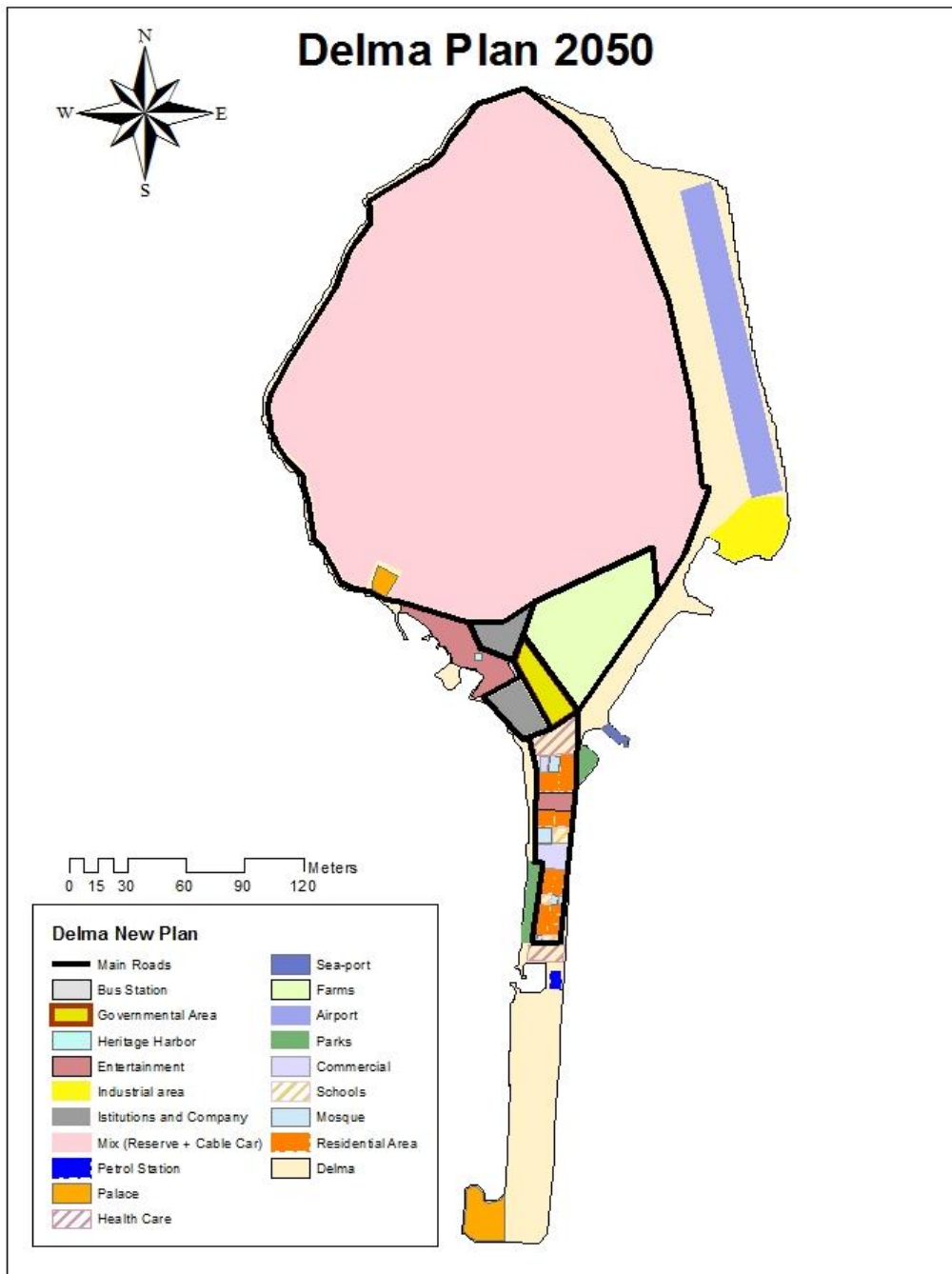


Figure6: shows our new plan for Delma Island. We planned the residential area behind each other, and inside this area we planned for schools, mosques and Groceries or commercial areas. We exploited the salt marsh area for mixed usages such as reserve and cable car, which encourage the economic sustainability.



Figure7: Shows the map of the existing services and landmarks in Delma Island.



Figure8: Display the new map for suggested services to attract more tourism. We exploit the marsh area for making a reserve and cable car.

## CONCLUSION AND RECOMMENDATION

Our plan supports the land use values, which are economic development value, environmental protection value, social equity value and livability value. In economic development value, we proposed tourism development across the island in order to attract tourists and raise the quality of the experience of the tourists when they visit the Island. Developing tourism facilities as resorts, hotels, shopping malls, natural reservation areas, sea routes, beaches will not only attract tourists but also it will certainly increase the quality of life of the residents of Delma Island. A cable car area was proposed in our re-plan of the Island that will attract the tourists and will generate financial revenues. In environmental protection value, we increased the area for reservation that could also be developed to attract tourists. Finally, in social equity and livability values, we made the residential area behind each other and the schools between these areas, which will be safety and aesthetic value. We believe that if we are good planners, first we should think about the sustainability, then the infrastructure and the society.

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# **SMART SHIP TRANSPORT SERVICES : BETWEEN ELMA ISLAND AND JEBEL DHANNA-ABU DSMARTHABI**

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## **ABSTRACT**

This report presents the results of the survey of an 150 people from Delma Island about developing new ship services between Delma Island and Abu Dhabi. Differences have been considered in this research between two different sea roads, the first sea road is from Island to Jebel Dhanna port then to Abu Dhabi, and the second sea road is direct from Delma Island to any port in Abu Dhabi and analyzes the sea roads through the distance and time of this travels.

## **INTRODUCTION**

The history of transportation is largely one of technological innovation. Advances in technology have allowed people to travel away, explore more territories, and expand their influence over larger areas. Even in ancient times, new inventions and discoveries were applied to transportation problems, travel time decreased while the ability to move more and larger loads increased. Innovation continues today, and transportation researchers are working to find new ways to reduce costs and increase transportation efficiency (Wikipedia, 23rd November 2014).

Transport has determined the location of industries, cities and the prosperity of regions, and around this there has developed a body of theory in the spatial sciences which equates accessibility and mobility with economic and social progress. Moreover, in most industrial countries, transport has established itself as a major industry and is elaborately linked with the well-being of the national economies (Greene, and Wegener, 1997).

In the stone ages primitive boats developed to permit navigation of rivers and for fishing in rivers and offshores. It has been argued that boats suitable for a significant sea crossing were necessary for people to reach Australia. With the development of civilization, bigger vessels were developed both for trade and war. In the Mediterranean, boats were developed about 3000 BC. Boats were eventually rendered obsolete by ocean-going sailing ships, such as the Arabic caravel in the 13th century, the Chinese treasure ship in the early 15th century, and the Mediterranean man-of-war in the late 15th century. In the Industrial Revolution, the first steamboats and later diesel-powered ships were developed. Eventually submarines were developed mainly for military purposes for people's general benefit (Wikipedia, 23rd November 2014).

Meanwhile specialized craft were developed for river and canal transport. Canals were developed in Mesopotamia 4000 BC. The Indus Valley Civilization in Pakistan and North India had the first canal irrigation system in the world. The longest canal of ancient times was the Grand Canal of China. In the Industrial Revolution, inland canals were built in England and later the United States before the development of railways. Specialized craft were also developed for fishing and later whaling. Maritime history also deals with the development of navigation, oceanography, cartography and hydrography.

Sustainable development is one that meets the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable transport refers to the broad subject of transport that is sustainable in the social, environmental and climate impacts and the ability to supply the source energy indefinitely. Components for evaluating sustainability include the particular vehicles used for road, water or air transport by the source of energy. And the infrastructure used to accommodate the transport, waterways, canals and terminals. Transportation sustainability is largely being measured by transportation system effectiveness and efficiency as well as the environmental and climate impacts of the system. Short-term activity often promotes incremental improvement in fuel efficiency and vehicle emissions controls while long-term goals include migrating transportation from fossil-based energy to other alternatives such as renewable energy and use of other renewable resources. The entire life cycle of transport systems is subject to sustainability measurement and optimization (Wikipedia, 23rd November 2014).

The Marine Transportation System, or MTS, consists of waterways, ports, and intermodal landside connections that allow the various modes of transportation to move people and goods on the water.



Transportation in Delma Island is based on both sea and air modes of transport. But shipping methods are considered the preferred way to transport goods and passengers to and from the island. There is one line cruise to the island by a hyperbolic port of Jebel Dhanna, and walking on the line fast boat passenger and car ferry and cargo. It takes an hour and a quarter to reach the Delma Island. The Aldobh takes approximately two-hour and a half. It consists fleet of two speed boats Julfar 1 can accommodate up to 40 passengers and Julfar 2 can accommodate up to 15 people and neutral terms are Dana with tonnage of 500 tons and Msmah and a cargo capacity of 350 tons, is scheduled to enter another ship in April 2008. He was previously there are direct flights fast boats between Abu Dhabi and Delma.

The Air Transport marching daily flight between Delma Airport and Abu Dhabi International Airport and two trips in the Klan than two days Thursday and Saturday, and the trip takes 40 minutes. Also flies to transport students to the island from the UAE University, Al Ain via Abu Dhabi.

Residents of the island have continuously being expressing their dissatisfaction regarding the lack of means of transport, including maritime and air, especially during bad weather conditions.

Delma Island is located in the Arabian Gulf, offshore the western region of Abu Dhabi. The island is just 42 km north-west of Jebel Dhanna and about 210 km west of Abu Dhabi Island. It covers an area of around 45 square kilometers. The population of Delma Island is nearly 4,800 people in 2014 (upc.gov.ae).

My goal in this project is to display the current road from Delma Island to Abu Dhabi and the new road which is proposed in this study. Also, to differentiate between the two sea roads and what is the best way to arrive to Abu Dhabi. The study attempts to contribute to the development of transportation in Abu Dhabi to achieve part of the vision of Abu Dhabi 2030.

## **METHODOLOGY**

The smart ship transportation between Delma Island and Jebel Dhanna-Abu Dhabi was needed to make a map showing the two different ways in distance and time between Delma Island and Jebel Dhanna port. Also, between Delma Island and any port in Abu Dhabi. Then, I distribute a survey and I got answers from 150 people in Delma Island. I entered the results into SPSS program to make correlation between variables. I analyzed the result through making correlation between some variables. I made charts and figures using Microsoft Excel 2010. I took a screenshot for UAE and Delma Island from satellite image to show the current way between Delma Island and Abu Dhabi. By using ARC GIS, I explain the new sea road between Delma Island and Abu Dhabi.

## **RESULTS AND DISCUSSION**

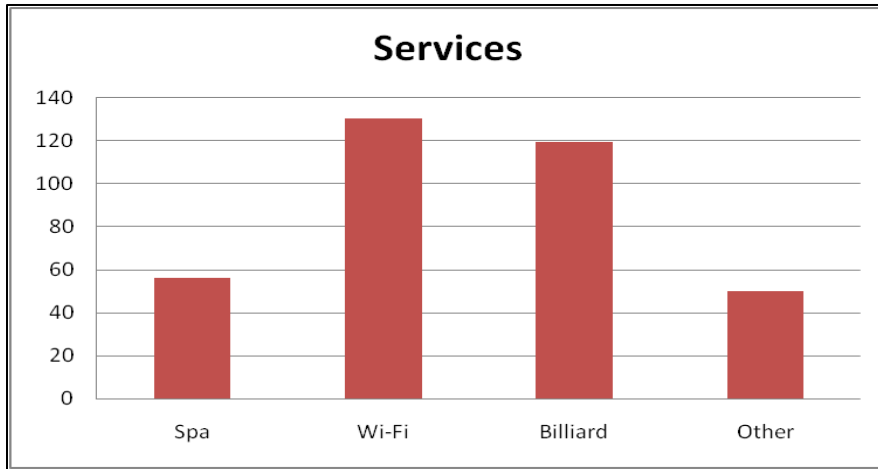


Figure 1: Shows the services that people in Delma prefer to provide them in new ship. They evaluate the Wi-Fi as must need in their trip. Then, the billiard for making an entertainment. Finally, the spa for relaxing.

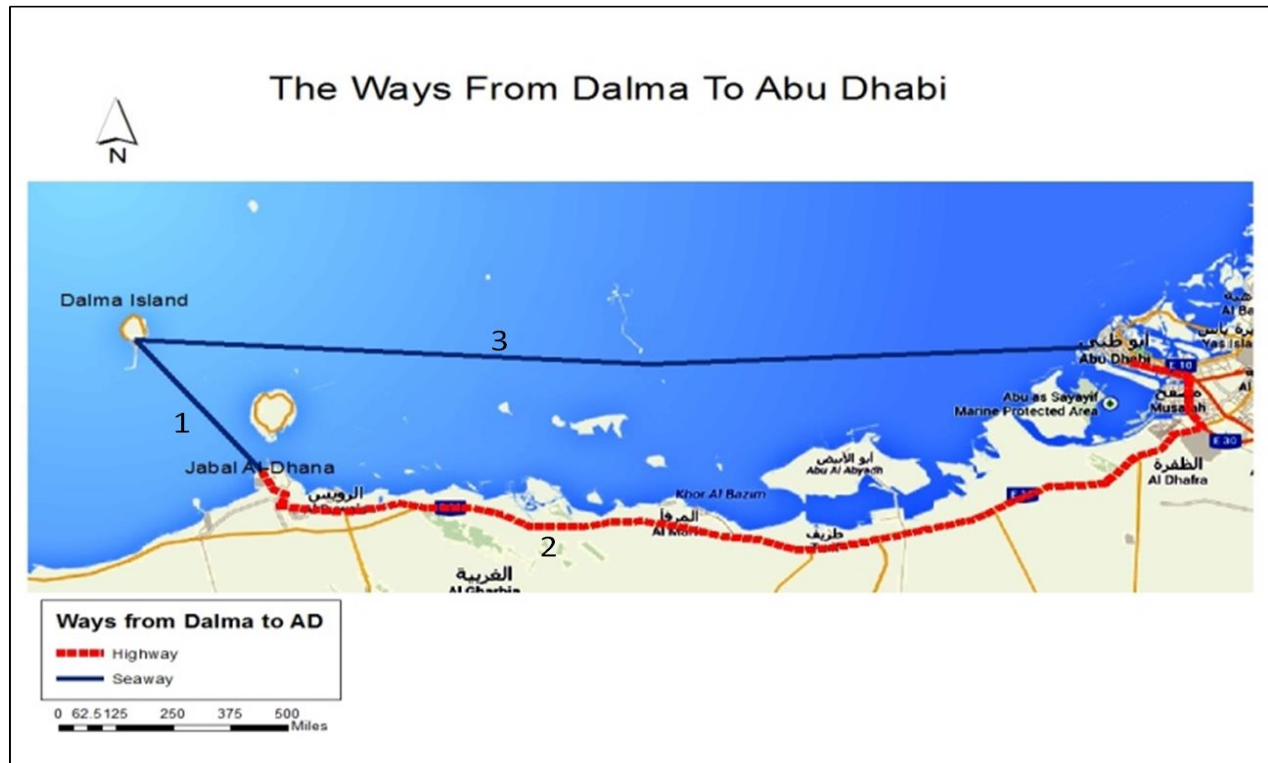


Figure 2: display the two roads between Delma Island and Abu Dhabi. The roads number 1 and 2 are the exact roads used between Delma and Abu Dhabi. The third road is the sea road which I make it for the new ship which is directly road from the island to Abu Dhabi.

Correlations					
			Hours	Distance	Services
Spearman's rho	Hours	Correlation Coefficient	1.000	-.736**	-.501**
		Sig. (2-tailed)	.	.000	.000
		N	150	150	150
	Distance	Correlation Coefficient	-.736**	1.000	.337**
		Sig. (2-tailed)	.000	.	.000
		N	150	150	150

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Figure 3: shows the Spearman's rank correlation between travel time (Distance) and rated services by costumers using sales ship to transport between Delma Island and Jebel Dhanna- Abu Dhabi.

- 1- There is negative moderate relationship between hours and services (-.501)
- 2- There is negative moderate to weak relationship between distance and services (-.337)

### CONCLUSION

Many people in Delma Island prefer to make new ship to limitation and easy way to connect with Abu Dhabi. The DOT should provide the ship for people. More numbers of people need services in the ship like Wi-Fi and Billiard for their entertainment in the trip and to spend the time without feeling bored. In my view, I discovered that most people in Delma Island need new ship to easy access to Abu Dhabi. This ship achieves the completion and development in Abu Dhabi which would lead to reach part of vision 2030.

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# **ASSESSING THE LINK BETWEEN MARKET ORIENTATION AND POVERTY REDUCTION IN THE TOURISM INDUSTRY: THE CASE OF TANZANIA**

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## **ABSTRACT**

The link between poverty reduction and long term profit for companies has not been much studied in Africa, and specifically not in Tanzania. The assumption which is supported in literature is that increased profit leads to increased employment which reduces poverty.

Market orientation is the implementation of the marketing concept and one of the main results of market orientation is long term profit. There are few studies of market orientation in Africa and very few in East Africa. This paper discusses market orientation and poverty reduction from existing literature.

The selected industry is the tourism industry which is a very important industry in Tanzania as well as in other countries. This is because the industry is fast growing, internationally competitive, employs many people in both rural and urban areas, and brings hard currency to the economy.

The objective of this paper is to assess the link between market orientation and poverty reduction in the tourism industry in Tanzania.

The findings are, to the author's best knowledge, that no research has been conducted in the tourism industry in Africa where the link between market orientation and poverty reduction is established. The conclusion is that there is a need to conduct research in this area to find out if the link exists and, in that case how this link affects poverty.

Keywords - Market orientation, Poverty reduction, Tourism development.

## INTRODUCTION

Tourism is the fastest growing industry in the world with an annual growth rate of 6%. It is a very important industry for many countries because it generates employment, tax income for Governments and foreign exchange. It is also in general good PR for a country to promote tourism. (UNWTO 2013)

According to the World Economic Forum (WEF), tourism and travel is a critical sector for a country's economic development and sustainable employment.

*“Travel & Tourism has continued to be a critical sector for economic development and for sustaining employment, in both advanced and developing economies.”* (WEF 2013).

International tourism in developing countries is more important than in developed countries. Some reasons for this are considered to be economic growth, the possibility for rural people to earn their livelihood through SMEs or the informal sector and the contribution of tourism to poverty reduction, if managed correctly. (Hawkins & Mann 2006; Mitchell & Mann 2007; Yamakawa 2007; Muganda et. al. 2010; Kibara et. al. 2012)

In the area of marketing, the market orientation (MO) concept creates long term profit for the organizations. Profit is a goal for most companies and it makes it possible to expand and to hire more employees. In a developing country the effect of increased employment is reduced poverty.

### **Objective**

The objective of this paper is to assess the link between MO and poverty reduction in the tourism industry in Tanzania.

## LITERATURE REVIEW - TOURISM

### ***Effects of Tourism Development***

In the Rio Earth Summit in 1992 when Agenda 21 was adopted, the tourism was highlighted as a way of eradicating poverty. For developing countries, tourism is considered to be a valuable industry for long-term growth. This is also the case for the Sub-Saharan countries. A number of studies have shown that tourism could be pro-poor and that it could create valuable links to other sectors in the economy (Mitchell & Mann. 2007 UNWTO 2007; Mitchell & Ashley 2010; Scheyvens 2011; Hamzah 2013; Ajaguna et. al. 2014; Croes 2014; Yang & Hung 2014).

A growing number of literatures have also shown relationships between tourism and economic growth both at the local level and at the national level. Growth of the tourism industry makes also other sectors to grow since it promotes the agriculture, industrial and the service sectors and in that way it will reduce poverty (Hawkins & Mann 2006; Yamakawa 2007; Jafaar et. al. 2013; Mohamad & Hamzah 2013; Vanegas 2014; Croes 2014).

### ***Development Potential in Africa***

The potential for development of the tourism industry in Africa is huge. Only 5% of the international tourism arrivals are in Africa, which reveals a great potential to increase. The prognosis until year 2030 shows a large increase in tourists coming to the African continent from 56 million 2013 to 135 million (UNWTO 2013).

A study by the Natural Resources Consultative Forum concluded that an investment of USD 250.000 in the Tourism industry I Sub-Saharan Africa (SSA) will create about 182 full-time jobs! From a job creation perspective it generates 40% more jobs than in the agricultural sector and 50% more than in the mining sector. (World Bank 2011)

The tourism industry is one of the fastest growing industries in the world with an annual increase of about 6% since 1950 (UNWTO 2013). Furthermore, it grows faster in the worlds emerging and developing markets

than in the rest of the world. Sub-Saharan Africa (SSA) is one of the fastest growing tourism markets. In 2005 it was 20.9 million visitors and in 2013 (preliminary figure) it had increased to 36.2 million visitors, an annual average growth of 7.1% (Ibid).

Between 2008 and 2009 Africa was the only region in the world where the Tourism industry increased (+3.7%) while the total tourism in the world declined with 4.3%. Much attention is therefore placed in tourism from East African Governments and the benefits are poverty reduction, employment, rural development, HRM, foreign exchange earner, country development etc. (World Bank 2011)

One other important fact is that the Tourism sectors empower women. In Africa 31% of the employed in this sector is women compared with 21% in all other sectors. Women manage more than 50% of the companies in SSA. (EAC 2011)

### ***Tourism in Tanzania***

In SSA, Tanzania has a great potential in increasing the tourism industry, and few nations in the world have as many possibilities in sustainable and economically beneficial development. The domestic tourism is very low so tourism in the country is to a major extent focused on international tourists. Tanzania is ranked as the 4th country in the world concerning natural resources (WEF 2013), which is positive. This fact is very important for development of natural tourism. However, is only at place 109 when it comes to attractiveness and competitiveness (Ibid). Looking at these figures it is an obvious gap between possibilities and actual outcome.

Tanzania's tourism sector has grown in relative importance over the years, and currently ranks as the highest foreign exchange earner in the country (Tanzania Central Bank, 2014). This fact supports one of the often repeated reasons why the tourism industry is so important for a developing country. The development of the tourism industry is however on a low level in Tanzania as well as in some other countries, in an international perspective. Problems with infrastructure, different marketing issues, and MO are common for the industry.

However, the Tanzania tourism sector has grown in impact and relative importance over the years, and currently ranks as the highest foreign exchange earner in the country (Tanzania Central Bank 2014).

Tanzania has a great potential in continuing the increase of the tourism industry, and not many nations in the world have as many opportunities in sustainable and economically beneficial development. With destinations as Zanzibar, Serengeti National Park, Mount Kilimanjaro, Selous Game Reserve, Mikumi National Park, Ngorogoro Crater, Lake Victoria, cultural tourism etc. the destination could offer both experiences from Safaris, indigenous culture and nice sunny beaches.

In spite of the GDP growth with over 5 percent annually in Tanzania since year 2000, the poverty reduction has not been reduced significantly. This is especially obvious in the rural areas where the infrastructure is undeveloped, which makes access to markets difficult. As an example, only 3% of the population in rural areas has access to electricity (Rysankowa & World Bank 2011)!

There is a need to have a good marketing strategy, to make customer satisfaction better and to increase the turnover and profit which will implicate more employment and less poverty. MO is a concept that could serve as a part of the solution of the above mentioned problems. The application of MO in the tourism industry could increase the customer orientation, the competitor orientation and the interfunctional coordination of marketing activities.

There are, to the authors' knowledge, no studies assessing MO in the tourism industry to reduction of poverty, at least not in Tanzania.

## **LITERATURE REVIEW - MARKET ORIENTATION**

To achieve competitive advantage was earlier a question of economies of scale, market power, a broad product line, and other structural characteristics. Today it is more emphasis on delivering superior value for customers, where MO has shown a solid foundation for doing this (Slater & Narver 1994)

MO is considered to be the implementation of the marketing concept and a lot of articles have been published about this topic since the beginning of 1990. The seminal articles in this area are written by Kohli & Jaworski (1990), Narver & Slater (1990) and Kohli & Jaworski (1993). They defined the core components of MO and they also defined some antecedents.

The key core components identified was intelligence generation, intelligence dissemination and responsiveness (Kohli & Jaworski 1990) respective customer orientation, competitor orientation and interfunctional coordination (Narver & Slater 1990).

Since their articles were published many researchers have been testing and developing their ideas. The main area of testing is the link between MO and performance/innovation (Slater & Narver 1994; Narver et. al. 2004; Dibrell et. al. 2011; Brettel et. al. 2012; Hong et. al. 2013; González-Benito et. al. 2014) which was established already by Kohli & Jaworski (1990) and Narver & Slater (1990).

The testing has also been extended from private companies to public companies (Hodgkinson et. al. 2012; Chen & Hsu 2013; Mitchell et. al. 2013), and from production industry to services (Hodgkinson et. al. 2012; Peña et. al. 2012; Chen & Hsu 2013). The applicability has also been tested on SMEs and on internalization/emerging markets (Liu & Xue 2011; Raju et. al. 2011; Boso et. al. 2013).

Some studies about MO in the tourism business have also been carried out, but no one has linked it to poverty reduction, as far as the authors have found (Tsotsou & Vlachopoulou 2011; Peña et. al. 2012).

There are some limited critiques on MO and it is summarized in the following 3 topics:

- MO is not applicable in the public sector since it is too focused on economic values, too focused on customers, it lacks true interaction and it is mechanistic. A better concept for these organizations would be for example brand orientation. (Gromark & Melin 2003; Rodrigues & Pinho 2012; Mitchell et. al. 2013)

- The link to other “orientations” as for example entrepreneurial orientation, learning orientation, and brand orientation is unclear. Some researchers have tried to bring clarity between these different orientations to find out how/if they have similarities and if they could be implemented/work together. Some similarities are found and most articles advocate for example that entrepreneurial orientation and MO should exist together as complements. (Gromark & Melin 2003; Hakala 2011; Baso et. al. 2012; Hong et. al. 2013; Kwak et.al. 2013; Urde et. al. 2013)

- Some research indicates a need for modification for MO in SMEs, since the original concept was developed from studies of large companies with different departments. (Blankson & Cheng 2005; Blankson et. al. 2006; Keskin 2006; Jones et. al. 2008; Raju et. al. 2011)

In spite of this criticism, MO is still considered to be the tool for implementing the marketing concept and the “excellence” of it is still highlighted in literature. There is no other concept so far that could challenge MO and its effect on organizational performance.

MO is the implementation of the marketing concept but there are very few studies of the applicability in an East African context (Mbah et. al. 2007; Omiti et. al. 2007; Opoku & Essien 2011; Jaiyeoba 2011; Boso et. al. 2013; Jaiyeoba & Amanza 2014) and these studies are from Kenya and Botswana. No one of these authors has linked MO to poverty reduction.

Many countries in the world are putting lots of resources into marketing of their destinations. This means that the international competition is extremely hard and all destinations are competitors at trade fairs etc. The MO of the companies in the tourism industry will have a great impact on the increase of the number of tourists willing to travel to a destination. The companies need to be market oriented, which means to have a high degree of customer orientation, competitor orientation and interfunctional coordination to get satisfied customer and a long term profit (Narver & Slater 1990). Long term profit means expansion of the companies and more employees both in the tourist companies and in companies linked to the tourism industry (handicraft, food, transport etc.). Increased employment have an impact on poverty reduction (Hawkins & Mann 2006; Anderson 2013; Ataguba et. al. 2013; Ajagunna et. al. 2014; Jhra 2014;).

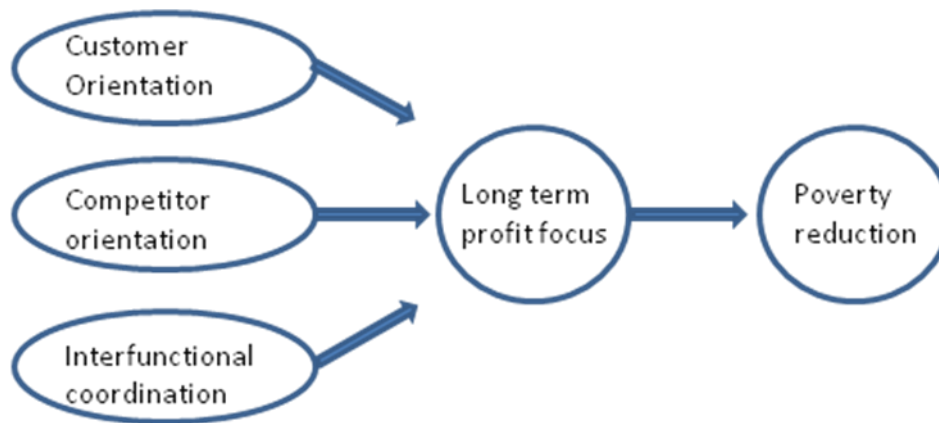
## RESEARCH GAPS

The literature review ends up in the following research gaps. The first gap is that there is lack of studies of MO in a Sub-Saharan context. The second gap is that there is lack of studies where MO has been linked to poverty reduction.

## PROPOSED CONCEPTUAL FRAMEWORK

The proposed conceptual framework to study this link consists of a modified model of Narver & Slater (1990). It contains the three pillars: customer orientation, competitor orientation and interfunctional coordination. The result is proposed to be a long term profit focus, which will lead to increased turnover in tourist linked industries. As a result, this will also increase employment and increased employment is in the literature linked to poverty reduction which supports the logical chain discussed above. (Hawkins & Mann 2006; Ataguba et. al. 2013; Ajagunna et. al. 2014; Jhra 2014)

**Figure 3**  
**Model of a proposed conceptual framework (Modified from Narver & Slater 1990)**



## METHODS

This paper is based on a literature review. Articles have been searched in databases (mostly Emerald) with the following words in different combinations: market orientation, profit, tourism, Africa, Sub-Saharan Africa, Tanzania, poverty reduction, employment, and developing country. Many articles was found about poverty reduction in developing countries but very few about MO in developing countries. No article was found linking these together. The reason for this might be that there is no research about this link or the search in the databases was not done thoroughly.

## RESULTS AND CONCLUSION

The literature review showed lack of research linking MO and poverty reduction generally and in the tourist industry specifically. Since the tourism industry is growing so fast it could serve as an engine to reduce poverty in a faster speed by implementing the marketing concept through MO in the tourism companies in Tanzania. The importance of the tourism industry cannot be questioned and especially for the developing



countries where it is a booster for employment and poverty reduction. In this paper we argue for a possible link between MO and poverty reduction. From the literature review the argued link is obvious, but there is no research done yet to confirm this.

Studies to confirm the link between increased MO in tourism companies and poverty reduction is yet to be carried out and this would be an area for future research. The implications for policy makers and the organizations within the tourism industry are that they should implement the marketing concept through MO to get higher profit and to make the living standard increase for the population, especially in the rural areas of the countries.

The tourism industry in Tanzania has a great potential to grow and it generates increased employment, both in urban and rural areas. The interesting issue is if increased MO in the tourism industry will contribute to poverty reduction. The results from this discussion will therefore be of great importance and it could be a starting point for a new research area.

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# WORKING IN THE UAE: EXPATRIATE MANAGEMENT EXPERIENCES

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## INTRODUCTION

The United Arab Emirates (UAE) has undergone much commercial advancement in recent decades necessitating the importation of many expatriate leaders to manage its expanding network of industries. Many experience difficulties with cultural differences while on assignment. The purpose of our article is to provide information about various aspects of the UAE culture that effect expatriate management of local staff. This article is useful for expatriates expecting to undertake employment in this country. We hope that the findings may shed light on the aspects of the local culture so expatriates will be aware of them and their management in the UAE. Our study explores expatriate leaders' understanding of the UAE culture and the differences between the UAE culture and their home country culture so that they may be able to better manage those differences.

### UAE culture

The UAE culture possesses many similarities with Arab culture generally with Islam as the predominant religion. Islam supports commerce but frowns upon financial activities deemed contrary to fair and honest dealings (Wilkins, 2001a). The Quran holds a dominant place within Islamic society strongly influencing social customs (Kabasakal and Bodur, 2002). Management practices in Islamic cultures are based on historical Islamic traditions (Ali, 1990) and set moral standards of behaviour (Kabasakal and Bodur, 2002). In the UAE, which is a relatively traditionalist country, Islam maintains a strong force in determining all aspects of life (Peck, 1986).

Islam still has a strong influence on management practice and thought and the conduct of business (Ali, 1990). For example, the religion permits trade but does not support undeserved revenue resulting from activities such as gambling (Wilkins, 2001a). In addition, bribery is a frequent part of business activity contradicting religious teachings (Ali, 1990). Wilkins (2001a) states that daily life is considered to be controlled by God resulting in a relaxed attitude to timelines and schedules. These are often ignored, with the belief that the will of God dictates when tasks should be completed. This gives rise to a poor record relating to the timely completion of objectives.

### Our research

We utilised interviews with 25 executive leaders to identify the effect of UAE culture on expatriate leaders' management of local staff. This study gathered information from people working in UAE private and public sector organizations. The interviewees were Indian, Sri Lankan, Australian, British, Pakistani, Russian, Nepalese, Iranian, the Philippino, Indonesian and American. Participants worked in the UAE from two to thirty years. Tenure in their current organization ranged from one month to 25 years with three years being the most common. Their current positions included training managers, assistant outlet managers, assistant training managers, assistant operations managers,

quality coordinators, heads of human resources, chiefs of security, facility managers, presidents/CEOs, directors of supply chain management, project managers and store managers.

### **Discussion**

It is interesting to find that participants agreed on the importance of understanding the UAE culture in managing local staff. Misunderstandings related to the UAE culture mentioned by some participants were often found to relate to local resentment at reporting to a foreign manager, communication difficulties, different approaches to time management, and reluctance to face bad news. The phrase “Inshall” was viewed by a few interviewees as taking some getting used to with the chance that many expatriates may not understand the locally accepted impact of outside influences on timelines. The notion that events are God’s will is expressed in the phrase “Inshall” (Quinn, 2001), implying that delays are outside mortals’ control and are in contrast to the Western idea of scheduling. The following responses highlight this:

.... They don’t like to give undertakings that tasks will be completed on time; they will respond ‘Inshall’ which means ‘God willing’. You have to get used to that. Don’t try to force them to give a direct yes or no answer..... I think sometimes if you want a direct answer .... you don’t get it because they don’t want to say no, they will just delay their answer .... we sometimes have deadlines to meet and we need that immediate answer.

Additional comment from a participant:

I believe that understanding the UAE culture is critical. I think that by understanding the way that people in the organization think and perceive events, you can work around things and avoid misunderstandings that can lead to dissatisfaction.

Leaders should expect locals to use the phrase “Inshalla” when they are unwilling to commit to completing a task within a certain time frame. “Inshalla” can be translated to mean that the task will be completed when circumstances allow. Leaders should expect that task completion can be delayed by any number of factors. The reasoning behind this is that God’s will determine if and when tasks are completed. On rare occasions it may be that tasks are not completed at all.

Local people do not like to hear bad news directly so, to reduce the effect, it is usually better to approach delivering bad news tactfully. Managers should not be up front in providing disappointing news. This relates particularly to evaluating staff performance. Local people are sensitive to negative comments. If a manager can sandwich the bad news in between positive comments this will help to ease the impact. This will demonstrate to locals that the manager is utilising a local style to manage staff and will assist in gaining cooperation. A director concurred, stating:

In Australia you can be more open about mentioning problems. You can approach people directly about a problem without beating around the bush. In the UAE Arab people don't like bad news so you have to be moderate in how far you push.

#### *UAE cultural aspects*

Participants indicated that aspects of the UAE culture affect their managing locals, perceiving that the focus on group culture was responsible. One possible reason for this is that working in UAE, with its Arabic influences, requires a strong awareness of the more traditional group aspects of the UAE culture. One interviewee stated that management decisions require the inclusion of the local staff in the process in a collective way to give them a feeling of involvement. This encourages their participation and engagement and maximises the chances that the decisions will be supported. This focus on group aspects can affect staff management by expatriate leaders. With most of them coming from cultures where the individualistic style is dominant, awareness of this will assist these leaders to refocus their style to suit the local culture. Expatriate leaders need to be aware of the dominance of group culture in the UAE and how this affects management situations. For example, locals immediately join together in discussion groups in meetings when faced with the need to address an issue. Also, when a local individual needs to approach their manager to discuss a problem they will usually bring two or three colleagues to support them, even where the issue does not necessarily relate to them directly. Leaders need to align their practices with this group culture to gain support from their staff in situations such as these.

Anwar and Chaker (2003) state that Arabic society is more collectivist than individualist with a greater emphasis on group aspects. Nations with a collective culture produce organizations with a group culture. Ali et al. (1997) found that societies with traditional values preserve their collective culture despite industrial and economic progress. Naor et al. (2010) indicate that organizations with a group culture foster teamwork.

A comment:

You need to think more than you act. If you are making management decisions you have to look behind the decisions and make them more collective so they will be acceptable to the local staff. If the staff feel they are involved they are more willing to contribute.

#### *Arabic language*

Language was nominated as having the greatest affect on staff management. This may have been due to its high profile. It is usually the first factor that comes to mind when considering cultural factors that may affect staff management. Ability to communicate effectively with local staff governs how well they can be managed so language ability would be seen as the most notable aspect. Verbal communication was mentioned as an important aspect of the UAE culture in managing local staff. Because the culture relies more on verbal communication

between organizational members, this would be noted by expatriates and put into practice as one aspect of managing staff. Having an awareness of non-verbal communication can improve the effectiveness of managing local staff. For example, shaking hands with local women is not acceptable. Another noteworthy form of communication is silence. In response to a question or statement this can usually be taken as a sign of tacit agreement or approval. Disagreement will usually be spoken. Managers should, therefore, not be too concerned when they receive no verbal response to their requests to take some type of action.

Expatriate leaders working in UAE found that the Arabic language affects their management of local staff due to its prevalence. Chang (2008) observes that learning the local language of the host country is beneficial for work. Many local Arab managers have poor English skills, particularly written English, relying on their staff to draft written correspondence. With Arabs displaying a preference for verbal interaction rather than written correspondence (Wilkins, 2001b), expatriate leaders with a command of the Arabic language are better placed to work with local staff. Significant resources are, therefore, needed to ensure that expatriates are provided with the best possible opportunity to learn the host country language. Knowing the language does not necessarily mean comprehending the culture, however (Caligiuri et al. 2001).

Successful acquisition of the local language facilitates expatriates' ability to achieve the objectives of their roles. Participants identified a lack of knowledge of the Arabic language as a significant factor making it difficult to deal with locals. Languages can take a long time to master, however, as learning them involves a number of factors such as individual ability, education, the importance the organization places on language ability, and other environmental factors. Language is especially difficult to learn because individuals must also be able to learn local expressions (Miroshnik 2002). The Arabic language may also be more difficult for someone from a non-Middle Eastern country to learn due to the differences in the written characters used in the language itself. Expatriates should as a minimum learn some basic phrases such as greetings, salutations and other commonly used expressions. Locals appreciate when non-locals appear to have, at least, made some effort to speak a little of the language. This helps to open doors. Leaders will find that learning some of the language will engage locals more which will encourage expatriates to expand their Arabic vocabulary. They will usually find that the top local executives will have a good grasp of the English language with many having received a tertiary education overseas or even locally. For junior staff, expatriates may find the language gap to be a little wider. In this case, making use of a translator will help to smooth the way.

### *Communication*

Language ability facilitates communication and, therefore, assists in building working relationships. This, in turn, assists in achieving objectives (Chang, 2008). Interviewees nominated communication as a cause of cultural misunderstandings and language difficulties were identified as a major part of this. Interviewees suggested that they made use of translators to overcome this problem. Differences between sectors, industries or organizations may account for difficulties in communication with some being more reliant on Arabic than others. Variations in

communication can complicate expatriate leaders' roles by reducing their effectiveness in delivering information to their UAE national staff.

Interviewees believed that communicating with national staff in the UAE is different to communicating with their home country staff. This may possibly be the result of different job requirements to those the expatriates are used to with, perhaps, greater responsibility, more seniority or different duties affecting communication. Different cultural attributes of the staff and differences in industry cultures may also have a mitigating effect. This creates problems in communication which affects the way they manage their local staff. An Australian manager highlighted the differences, saying:

It's wrong to say there's only one culture in Australia. In Australia you can face a woman and tell her she made a mistake. You need to do it politely, of course, but directly. In the UAE you have to step back, you can't tell her directly.

#### *Custom of female dress*

Many of the participants mentioned that the custom of dress, particularly among women who were almost completely covered, including their faces, was surprising. Williams et al. (2013) note that the custom is for Emirati women to wear an abaya, or black, full-length covering garment, and a sheyla, a thin headscarf to cover the hair, in public. Dealing with females can be more difficult when they wear a burqa, which covers them completely except for their eyes. Interviewees may not have been used to seeing women completely covered in the UAE. Some interviewees believed the custom had an effect on staff management. The culture in UAE is more traditional and strict and in keeping with its Arabic heritage so the conventional custom of female dress is still dominant. The remainder did not consider this as much of an issue. This may be because they may have had more of a focus on outcomes and were not concerned with the way females dress, preferring instead to concentrate on the objectives of their job.

Those who have been there longer may have become accustomed to the female standard of dress. Those not used to the style of female dress may actually find it intimidating unless they are sure of the appropriateness of addressing females attired in this way. Managers who find approaching women difficult because of their style of dress may opt to approach males instead. This will limit their management options, particularly where females are concerned. Local males also have a particular style of dress, with a white full length robe and accompanying headdress that does not cover the face. This attire makes it easier for expatriates to deal with local males. One commented:

The UAE is a country which is rapidly advancing with inputs from all over the world. This would seem to be placing pressure on the local customs and traditions and yet the local people seem to be able to maintain these in the face of all this change pressure. UAE appears to have preserved its heritage. You can see this because the local women wear abaya and sheilla. However the Indian females here in the UAE dress totally



differently from the local women. As you can see they wear their own traditional clothes called Sari. Also, women have more freedom in India to interact and be approached whereas in the UAE they cannot be approached directly.

#### *Time management*

Differences exist between attitudes towards time management in the UAE and other cultures. Other cultures, particularly in Western countries, place a greater emphasis on timeliness while the UAE has a more relaxed approach to time management. Organizational culture in the UAE is based on the national culture which has a more casual attitude to time. Badawy (1980, p. 57) went further, stating “At worst, there is no concept of time in the Middle East; at best an open-ended concept”. In the UAE the attitude towards time management is long established and habitual. Therefore the attitude to time management in UAE has retained its customary focus. For example, tender submission deadlines are sometimes missed because of the relaxed attitude to time management.

Time management is not the primary focus for local staff. They take their own time to complete tasks as this has been a part of the culture for a very long time. Managers should expect their staff to not adhere to deadlines for tasks unlike in the West where timelines are of paramount importance. It may be prudent for managers to build extra time into their project timelines, where possible. This will give them some latitude to accept the inevitable delays caused by the culture. Those not doing so run the risk of clashing with their staff over uncompleted tasks and delays. This will undoubtedly cause tensions which will harm their working relationships and make it increasingly difficult to manage their local staff and achieve their objectives.

Some interviewees believe that the concept of time management affects the way they manage local staff. This may be because time management is also a well-known feature of Arabic culture. Awareness of this would be expected to have an effect on their managing UAE local staff. Nonis et al. (2005) argue that an understanding of the link between cultural attitudes towards the management of time and organizational outcomes is critical to managing effectively. If expatriate leaders maintain an awareness of the local UAE attitude towards time management they would be able to manage it better.

#### *Effects of Islamic principles*

Almost all the respondents believed that the Islamic religion and the Quran govern work principles and the way they manage local staff. This may be due to the UAE still maintaining its long-established religion and values. The country follows Islamic principles strongly. Almost all interviewees indicated that they believed that the culture is based on religion, citing prayer breaks and Ramadan in their responses. Expatriate leaders should be prepared to allow locals an opportunity to pray once in the afternoon, in keeping with their religious obligations, particularly during this time but also throughout the year. Allowing a little extra time in the daily schedule to accommodate this break will help to facilitate good working relationships. Managers need to remember they are working in a culture dominated by Islam and should not attempt to impose their own cultural values on the local staff in this way to

achieve business objectives. The UAE organizational culture is motivated by the national, Islamic culture which has a strong work ethic, supporting the principle of staff working hard and professionally as the basis for personal and social satisfaction. The Islamic work ethic affects Emirati organizations (Yousef 2000). Nations based on an Islamic culture reflect the principles of their religion in their attitudes towards their work ethic which, in turn, reinforces their faith (Ali and Al-Owaihah 2008).

One participant stated that if you don't understand the Islamic basis of the culture you risk offending the local staff by not allowing them breaks to pray. Another agreed on the need to not offend people but suggested that staff take advantage by taking longer than necessary prayer breaks. Another one commented that they believe that Islam governs work principles but that occasions such as Ramadan should not be used as an excuse to not work hard due to tiredness from the fasting which is required at this time. The holy festival of Ramadan requires knowledge of particular behavior. During this time, which usually lasts about one month, Muslims are required to fast during daylight hours. This obviously includes working hours. Expatriates need to respect this and refrain from eating and drinking in front of local staff at work. Expatriates failing to do so run the risk of alienating their staff which will lead to a deterioration of working relationships as locals will feel that the expatriate is not respecting their religion. Some of the comments supporting the notion that the Islamic religion and the Quran govern work principles include "If you're working in an Islamic environment you need to be mindful of the religion by giving staff a break to pray". Another manager supported this view saying, "you need to give staff freedom to worship". Another participant said that Islamic principles govern work principles citing an occasion where a project due to be conducted during Ramadan had to be extended to after Ramadan due to the shorter working hours that staff work during this time. Another one agreed that Islam governs work principles saying that:

Every person has the right to pray or whatever. You have to respect the country's culture and the religion of Islam. For example, at Ramadan time, staff local work less hours so they may go home early. We find other staff to cover for them. We have flexible hours for staff during Ramadan.

### **Limitations**

Interviews responses to the custom of female dress may have been affected by sensitivity to this topic. Respondents may have considered it a little too personal to provide answers that were fully truthful for fear of causing offence. They may have considered that it would be better to offer guarded responses in an effort to avoid any risk to their jobs despite being guaranteed anonymity. It is also possible that this question may have been open to two interpretations, being either that the respondent does not work with female staff or that they believe that the custom of female dress has no effect on their staff management.

It is also important to recognise that, although interviewees are products of their own and their organization's cultures, they are also individuals. In other words, it must be recognised that each individual should not be expected to conform entirely to the norms of the culture to which they belong.

Expatriates' interest in the culture, willingness to immerse themselves in it and build relationships with locals is an important consideration (Tarique and Caligiuri, 2009). Some expatriates are more willing than others to engage themselves with the local culture than others which may have created differences in responses.

### **Implications for practice**

Expatriate cross-cultural management is a concept that relates to a number of different aspects including communication, particularly related to the context of UAE culture. It provides greater comprehension of the effects of national culture on expatriate leaders' management of UAE local staff. This study adds to the field of cross-cultural management and human resources by focusing on cross-cultural leadership and cultural awareness.

This research offers knowledge relating to the identification of cultural factors that expatriate leaders face in the UAE and determines how these can be addressed. The findings of the research are used to facilitate a better understanding of the UAE culture that will assist in overcoming the barriers that cultural differences present. This will assist organizations with expatriates in the UAE or those intending to send leaders to the UAE by assisting them to manage locals in the UAE. This study offers improved HR knowledge that supports expatriate leaders and which can be used to facilitate their managing and understanding local staff in the UAE culture.

### **Recommendations**

The aim of this study is to investigate expatriate leaders' perceptions of the factors affecting their management in UAE organizations. Based on their responses the following recommendations are offered as a possible basis for strategies to be used in managing in the UAE cultural context:

#### *Individual adjustment*

Expatriate leader management is assisted by an understanding of what is required of them in their position and working hard to achieve the outcomes expected. Knowing what is required of them in relation to the laws and customs of the country itself and making an effort to abide by and respect these also assists expatriates to adapt. Showing a respect for the religion would also be welcomed by locals. Fitting in and engaging in behaviour seen to be within an acceptable range according to the customs of the host country also helps. Acknowledging the group aspects of the culture will also greatly assist expatriate leaders in their dealings with UAE locals. Keeping these aspects in mind will strengthen expatriates' ability to manage within the culture, improve working relationships, and maximise their potential in their UAE assignment.

### **Conclusion**

Factors affecting expatriate leaders' management mentioned during interviews were Islamic religious practices, time management, custom of female dress, and understanding the UAE culture. In this research study, expatriates discussed their perceptions of the UAE culture and the issues they faced in managing local staff. Participants nominated language as the most significant challenge affecting their ability to manage working in the UAE. As

discussed, language is one of a number of aspects affecting expatriates' ability to succeed as it facilitates greater understanding of the culture in which they are working.

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# EXAMINING YOUNG MALAYSIANS TRAVEL BEHAVIOR AND EXPENDITURE PATTERNS IN DOMESTIC TOURISM

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## ABSTRACT

Young travelers, though restricted by relatively low levels of disposable income, are commonly having high interest and leisure time in exploring new destinations. It has been found that young travelers have high expectations regarding the importance of value for money though they have their financial resources available for travelling. Therefore, it has raised questions on the worthiness of carrying out a study about the travel behavior and expenditure patterns among the young travels in Malaysia. The study employed a survey questionnaire to collect data, which was adapted from standardized measures. A total of 643 respondents, which has been randomly selected in the Northern States of Malaysia were involved in the study. The completed questionnaires were analyzed to measure the variables of the study consisted of selected socio-demographic, travel behavior and expenditure patterns. This study found the expenditure patterns of the young travelers vary with regards to the purchase of tourism products. In addition, the results of the study also portrayed the differences of selected travel-related characteristics of young travelers in relation to the motive of travel. Thus, this study may provide information which will help tourism marketers to develop marketing tools to satisfy and fulfill those young tourists' needs, and understand certain reasons behind their spending patterns.

Keywords- domestic tourism, expenditure pattern, young traveler.

## INTRODUCTION

Youth travel is one of the fastest growing and most dynamic market of the global tourism sector. The World Tourism Organization (UNWTO) estimates that approximately 20 per cent of all international tourist arrivals in 2010 were young people. In that particular year, young travelers generate 165 billion USD towards global tourism receipts, affirming their financial value to the global tourism industry and local economies (United Nations World Tourism Organization, 2011). According to the UNWTO, based on youth and student travel market survey 2011, young travelers often spend more than other tourists and are likely to return and give more value to the destination over their lifetime. Furthermore, as the chances of getting higher education and exposure to the world, young travelers have penetrated and played an important role in the tourism market.

Malaysian young travelers are raised in an environment with a wide and increasing range of travel opportunities. As the low-cost carriers becoming the common travelling, transportation, the ease of information

searching and tourism products, purchasing via the World Wide Web, travelling is at most accessible ever and thus increasing freedom to travel. Therefore, further study needs to be carried out to investigate their travel behavior. Despite an increasing interest in the market size of young travelers, economic potential and their desire to travel, relatively little is known about their actual travel behavior and expenditure patterns. Understanding the behavior and expenditure patterns of Malaysian young travelers in tourism and hospitality is a matter of utmost importance for improving the sustainability of the tourism industry.

The market segment of young travelers, especially in Western countries is generally studied by researchers (Carr, 2001; 2005; Hesse & Tutenges 2011; Xu, Morgan & Song, 2009). UNWTO (2008) predicted that the main source of the forecast growth in travel demand will be the young, affluent middle class that is emerging – from 175 million people in 2008 to around 500 million by 2025. In relation to that, population statistics from Department of Statistics, Malaysia shows that there are 28.25 million of young travelers in Malaysia as in 2010. It has raised questions on the worthiness of carrying out a study of the travelling patterns of Malaysian young travelers. Young travelers, though restricted by relatively low levels of disposable income, they commonly have high interests and leisure time in exploring new destinations. A convenient and inexpensive short-haul destination attracts younger and less affluent travelers (Jang, Bai, Hong & O’Leary, 2004). In addition, young travelers have high expectation regarding the importance of value for money though they have their financial resources available for travelling (Glover, 2010). They are willing to pay a premium price for it if they believe that the product, services or experience is worth it.

In terms of tourist spending, a recent report of tourism in Malaysia showed that even though Malaysia has the highest tourist arrival in the Southeast Asia region in 2012, the total revenue for tourism was less than Thailand and Singapore which have fewer tourist arrivals (The Star, 2013). That was in the case of international tourists. For domestic tourists, however, it was found that they are more active as compared to their international counterparts (Carr, 2002). This is due to the fact that those tourists who travelled the furthest to the holiday destination were likely to exhibit the ‘allocentric’ behavior, while those travelling a relatively short distance behaved in a ‘psychocentric’ manner (Debbage, 1991). An ‘allocentric’ tourist may be defined as an inquisitive and curious individual, who is self-confident and adventurous, which is the opposite of a psycho-centric tourist (Hoxter & Lester, 1988). Furthermore, it was suggested that the differences may have been a result of the greater ability of domestic tourists to become involved with the host population because of the lack of any language barriers, and the relative familiarity of their vacation surroundings, as compared to those of the foreign travelers (Laing, 1987).

Besides, regarding to the motivational theories in tourism, the theory of push and pull provides a simple method for the detection and differentiation motivation underlying tourist behavior (Dann, 1981). Motivation is the key to understand travel behavior of tourists. This is due to the fact that motivation affects the initial purchase, tourist experience and future decision (Bogari, Crowther & Marr, 2004). The notion is the travelers are both “pushed” to travel by personality traits or individual needs and wants, and “pulled” to travel by appealing attributes of travel destinations. Push and pull factors play an important role in tourism as a motivational construct of investigating tourists’ behavior motives (Hall, 1992). Therefore, the current study is motivated to explore the Malaysian young travelers travel behavior when travelling to a domestic holiday destination. In other words, the main purpose of this study is to investigate the young traveler behavior and expenditure patterns in domestic tourism. Specifically, this study aimed to provide the meaningful perspectives to achieve the following research objectives:

- 1.1. To develop a demographic profile of young Malaysians who have travelled within Malaysia in the past 12 months.
- 1.2. To identify the domestic travel behavior among young Malaysians.
- 1.3. To explore the young travelers’ domestic travel behavior and their spending patterns in relation to their motive of travel.

## **METHODOLOGY**

### **2.1. Sample**

This study population includes Malaysian young travelers aged between 21 to 35 years old from the states of northern region of Malaysia. These destinations have been selected because most of these destinations are among the



most well-known tourist destination in Malaysia (Oppermann, 1992) and offering different types of travel activities. Therefore, the number of tourists at these destinations can be expected to be relatively high. University students from Universiti Utara Malaysia, Polytechnic Perlis and Sunway College, Penang were selected randomly to participate in this study. Respondents of the study include those who have traveled domestically in the previous 12 months from the day they participate in this study.

## **2.2. Instrumentation**

The questionnaire was developed by adapting standard measured from various sources. The questionnaire consists of three sections. In Section A aimed to gather the socio-demographic background of each respondent. There were six questions regarding the socio-demographic profiles of respondents such as gender, age, ethnicity, education level, year of study, and source of income. Section B of the questionnaire consisted of questions related to the respondents' travel behavior. Section C includes questions regarding the type of travel and expenditure patterns that can be divided into seven sub-section, type of travel such as: leisure, shopping, visiting theme park, sightseeing, visiting historical & cultural destination, sport & recreation, and visiting friends and relatives.

The questionnaire was prepared in Malay (Malay national language), hence, translation processes of selected sources which originally in English were performed via back translation (Brislin, 1971). Then, we conducted a pilot test on the designed questionnaire to 100 respondents to evaluate reliability of the questionnaire. The results of this pilot test show that the measured reliability based on Cronbach's Alpha is adequate. Thus, such findings allow us to use the translated questionnaire for actual study.

## **2.3. Data Collection**

A quantitative approach by using self-completed questionnaires were administered by two trained research assistants to collect data. The questionnaires were distributed between November 2012 to January 2013. A total of 800 questionnaires were distributed to the respondents. The respondents were asked to complete a survey questionnaire. The respondents were informed concerning the purpose of the study and general instructions were provided and help was offered when needed. The responses were confidential.

From the total 800 distributed questionnaire, 685 questionnaires were returned by the respondents, 42 survey questionnaires were either incomplete or did not meet the criteria for each section of the questionnaire, which resulted in a total of 643 usable questionnaires to be analyzed for this study.

# **RESULT**

## **1.4. Socio-demographic of Respondents**

The demographic data of the respondents are presented in Table 1, according to their gender, age, ethnicity, education level, year of study, and source of income. Females represented 68.7% of the respondents and males represented 31.3%. The majority of respondents were age group between 19-21 years of age (56.3%), 22-24 years of age (39.8%), 25-27 years of age (3.4%), while 28-30 years of age represented only 0.3% and 31 years of age and above group represented 0.2% of total respondents. In terms of ethnicity, 52.9% of the respondents were Malays, 37.2% were Chinese, 7.2% were Indians, and only 2.8% representation of other ethnic groups of the total respondents. The majority of the respondents (85.7%) pursuing their bachelor degree, 12.9% pursuing other academic qualifications such as diploma and certificate, and only 1.4% study at postgraduate degree level, and 98.3% of the respondents were in year1 to year 4 of their tertiary education, while only 1.7% were in more than year 4. In terms of source of income, the majority of the respondents (82.1%) obtained their source of income from student loan (PTPTN), 8.1% relied on the family, 5.8% reported income from scholarship, and 4% of the respondents reported obtained from another source of income.

**Table 1**  
**Demographic profile of respondents**

<b>Characteristic</b>		<b>Frequency (N=643)</b>	<b>Percentage (%)</b>
<b>Gender</b>	Male	201	31.3
	Female	442	68.7
<b>Age (year)</b>	19 – 21	362	56.3
	22 – 24	256	39.8
	25 – 27	22	3.4
	28 – 30	2	.3
	31 and above	1	.2
	<b>Ethnic Group</b>	Malay	340
	Chinese	239	37.2
	Indian	46	7.2
	Other	18	2.8
<b>Education</b>	Post Graduate	9	1.4
	Bachelor	551	85.7
	Other	83	12.9
<b>Year of study</b>	Year 1	176	27.4
	Year 2	208	32.3
	Year 3	181	28.1
	Year 4	67	10.4
	Other	11	1.7
	<b>Source of Income</b>	PTPTN	527
	Scholarship	37	5.8
	Family	52	8.1
	Other	26	4.0

### **3.2. Travel Behavior and Expenditure Patterns**

Table 2 summarizes the results gathered from the survey pertaining to respondents' travel behavior and expenditure patterns. The results indicate that the majority of students choose to travel during their semester breaks. However, some of them preferred to travel during weekends and public holidays for the purpose of leisure, shopping, sightseeing, visiting historical and cultural sites, sport and recreation, visiting friends and relatives, and theme parks. A total of 493 (76.7%) out of 643 respondents reported they traveled for leisure purpose in the previous 12 months. The majority of respondents (50.1%) out of 493 reported spending two nights at the destination visited and most of them (57.2%) reported that they stayed in a hotel. In terms of spending, a majority of 44.2% of respondents reported average expenditure between RM201 and RM400, where most of their spending was on food and beverage (89%). Meanwhile, 371 respondents reported that they have traveled for shopping in the previous 12 months, where the hotel was their main choice of accommodation (49.3%). As compared with those who travelled for leisure, the majority of those who travelled for shopping stayed only one night (48.2%). Majority from this group (44.8%) spent between RM201 and RM400 while they were on their travel and surprisingly, spending on food and beverage was ranked the highest (84.1%) while money spent for shopping was ranked second (83.6%). A total of 301 (46.8%) out of 643 respondents reported they travelled for sightseeing in the previous 12 months. Most of the respondents (46.5%) reported spending one night at the destination visited with the hotel was the main choice of accommodation (42.2%). For this purpose of travel, most of them (a total of 53.2%) spent between RM101-RM300 where food and beverage was found to be the main reason of their spending.

For those who reported that they traveled to visit historical and cultural destination, hotel was still found to be the main selection of them (37.6%), which was followed by those who stayed in a friends' or relatives' house (33.6%). About 39.7% of respondents reported average expenditure between RM51 and RM200 while 37.6% reported between RM201 and RM400 with 80.8% of them ranked highest expenditure on food and beverage, which was followed by 47.6% and 46.3% spent on shopping and souvenirs respectively. The results also indicate that a total of 200 (31.1%) out of 643 respondents reported they travelled for sport and recreation in the past 12 months. For this purpose of travel, three different modes of accommodation were found to be their major selections, where 25.5% out of 200 reported they stayed in the hotel, 23.5% chose to stay in the relative's or friend's house, and 27.5% reported stayed in chalet or resort. The majority of them stayed for two nights (44.5%) when travelling for sports and recreation. Those who are involved in this type of travel seemed to have spent more where 45.5% of respondents reported their average expenditure between RM201 and RM400 while only 36% reported between RM51 and RM200. Apart from their expenditure on accommodation and transportation, 82% of them reported that food and beverage is the reason that they spent most, and as expected, 61.5% reported spending on entertainment and recreation.

**Table 2**  
**Travel behavior and expenditure patterns**

Purpose of Travel	Leisure (N=493)		Shopping (N=371)		Sightseeing (N=301)		Visiting Historical & Cultural Destinations (N=229)		Sports & Recreation (N=200)		Visiting Friends & Relatives (N=471)		Theme Park (N=282)	
	N	%	N	%	N	%	N	%	N	%	N	%	N	%
<b>Duration of stay</b>														
One night	95	19.3	179	48.2	140	46.5	109	47.6	59	29.5	108	22.9	143	50.7
Two nights	247	50.1	122	32.9	101	33.6	76	33.2	89	44.5	166	35.2	98	34.8
Three nights	111	22.5	50	13.5	43	14.3	31	13.5	40	20.0	104	22.1	32	11.3
Four nights or more	40	8.1	20	5.4	17	5.6	13	5.7	12	6.0	93	19.8	9	3.2
<b>Place to stay</b>														
Hotel	282	57.2	183	49.3	127	42.2	86	37.6	51	25.5	56	11.9	150	53.2
Chalet/Resort	77	15.6	33	9.0	52	17.3	32	14.0	55	27.5	9	1.9	44	15.6
Friend's/Relative's house	93	18.9	127	34.2	93	30.9	77	33.6	47	23.5	390	82.8	64	22.7
Homestay	38	7.7	22	5.9	19	6.3	20	8.7	18	9.0	14	3.0	18	6.4
Others	3	0.6	6	1.6	10	3.3	14	6.1	29	14.5	2	0.4	6	2.1
<b>Average Expenditure</b>														
Below RM50	5	1.0	2	0.5	12	4.0	14	6.1	12	6.0	51	10.8	7	2.5
RM51 – RM100	29	5.9	32	8.6	37	12.3	26	11.3	15	7.5	79	16.8	23	8.1
RM101 – RM200	79	16.0	67	18.1	76	25.3	65	28.4	57	28.5	138	29.3	56	19.9
RM201 – RM300	137	27.8	100	27.0	84	27.9	51	22.3	46	23.0	95	20.2	74	26.2
RM301 – RM400	81	16.4	66	17.8	37	12.3	35	15.3	45	22.5	46	9.8	47	16.7
RM401 – RM500	68	13.8	40	10.8	28	9.3	13	5.7	13	6.5	24	5.1	38	13.5
RM501 and above	94	19.1	64	17.2	27	9.0	25	10.9	12	6.0	38	8.0	37	13.1
<b>Time of travel</b>														
Semester break	325	65.9	224	60.4	151	50.2	122	53.3	92	46.0	254	53.9	154	54.6
Weekdays	27	5.5	19	5.1	19	6.3	13	5.7	17	8.5	25	5.3	17	6.0
Weekends	39	7.9	74	19.9	56	18.6	48	20.9	52	26.0	87	18.5	44	15.6

Public holidays	99	20.1	53	14.3	74	24.6	46	20.1	36	18.0	104	22.1	67	23.8
Others	3	0.6	1	0.3	1	0.3	0	0	3	1.5	1	0.2	0	0

**Money spent  
apart from  
accommodation  
& transportation**

Shopping	340	69.0	310	83.6	152	50.5	109	47.6	84	42.0	317	67.3	119	42.2
Food & Beverage	439	89.0	312	84.1	249	82.7	185	80.8	164	82.0	381	80.9	224	79.4
Souvenirs	172	34.9	145	39.1	121	40.2	106	46.3	63	31.5	151	32.1	92	32.6
Entertainment & Recreation	250	50.7	168	45.3	243	47.5	70	30.6	123	61.5	230	35.8	162	57.5
Entrance fee & Tickets	153	31.0	67	18.1	87	30.0	90	39.3	56	28.0	59	12.5	148	52.5
Tours & Visiting	188	38.1	93	25.1	108	36.0	92	40.2	49	24.5	140	29.7	65	23.1
Others	1	0.2	8	2.2	3	1.0	4	1.8	6	3.0	15	3.2	3	1.1

As compared with those who travelled for sports and recreation, the majority of those who traveled to visit friends or relatives (471 respondents) reported spending two nights at the destination (35.2%) and unsurprisingly, most of them (82.8%) reported they stayed in the relative's or friend's house. The amount of money spent was also found to be lower than other types of visits where most of them (46.1%) spent only between RM51 to RM200. However, most of them (80.9%) still rated food and beverage as they have spent most on, which was followed by shopping (67.3%). Finally, the survey found that a total of 282 (43.9%) out of 643 respondents reported they travel to visit a theme park in the past 12 months. About half of them (50.7%) reported spending one night at the destination visited, and mostly stayed in a hotel (53.2%). About 43% of respondents reported average expenditure during visiting theme park travels between RM201 and RM400. Apart from their expenditure on accommodation and transportation, 79.4% ranked food and beverage to be on the top three most spent on this kind of travel, while 57.5% reported spending on entertainment and recreation, 52.5% reported on entrance fee and buying tickets.

## DISCUSSION AND CONCLUSION

From the survey, it was found that most of the young travelers who participated in this study preferred to stay in hotels, which was followed by relative's and friend's house. Other than staying in hotels, this result has been contributed by those who traveled for visiting friends and relatives where most of them stayed at the friends' or relatives' house. This finding is in line with a study by Swarbrooke (2007) where young travelers will stay at the friend's or relative's house to save budget. An equal percentage of respondents were found to have stayed for one night or two nights during each travel. As expected, since respondents for this study are mainly students, the travelling time is during semester break, weekends and public holiday. This finding provides an insight to the tourism marketers about when to promote their travel packages, especially those tailored to the young traveler.

The results portrayed that even though students have relatively low income, where they relied mainly on scholarship and study loans (PTPTN) to fund their travelling activities as similar to Hsu and Sung's (1997) and Xu *et al.*'s. (2009) findings, and that they have high interest in travelling. This has also been proven by Jang *et al.* (2004). Results from the current study also found that, in terms of where they spent their money, young travelers spent most of their money on food and beverage and shopping. Results also showed that young travelers also spent a big fraction of their money on recreation and entertainment. As stated by UNWTO (2008), many countries have specified their marketing activities to attract young travelers' niche market (such as sports and adventure). This study proved that young travelers are actively involved in the tourism activities in Malaysia and thus, evidenced that there is a big potential in the youth travel market in Malaysia.

This study also found that young travelers spent less on souvenirs, entrance fees and tickets as well as tours and visiting. However, Glover (2010) suggested that young travelers are willing to pay a premium price if they believe

that the product, services or experience is worth it while at the same time, they have high expectation regarding the importance of value for money though they have their financial resources available for travelling.

Based on the overall results of this study, young travelers have been found to be very important to the future of the tourism industry, as what has been suggested by UNWTO (2008). This highlighted the importance of understanding the young travelers' behavior and their expenditure patterns, especially the tourism marketers and policy makers. By understanding the needs, wants and desires of this group, the marketers as well as policy makers could tailor their product or even design, promotional campaigns that could attract more of these people to travel.

It is crucial for the tourism industry to investigate how, when, why and where the young Malaysians to be more willing to spend on domestic tourism and their behavior during the entire travel. Policy makers and travel industry marketers will benefit from the knowledge of their behavior. The information gathered from this study also can be used as guidelines in formulating promotional programs to encourage more spending on various tourism products and services especially by the young Malaysian traveler market.

### ***1.5. Limitations and Future Research***

This study raised the question of why the young travelers were unwilling to spend more on particular products. Though most young travelers are adventurous and flexible in the matter of visiting new attractions, the monetary cost involved are taken into consideration before heading to the destination (Grigolon *et al.*, 2012). This highlights a gap and future research should explore further into why this is so and how to encourage the young travelers to spend more on certain areas. Further studies shall include the mode of transportation to examine how it influences the domestic travel holiday planning process, including the destination choice and length of stay.

Since this study had limited access data from official statistics regarding young Malaysians' travelling patterns, a repeat cross-section analysis shall be carried out annually to study the current and actual travelling trends among young Malaysians. Also, it is recommended that motivation theories such as push-pull framework, expectancy-value or goal directed behavior (Prayag & Hosany, 2014) shall be added to derive more interesting conclusions. Other than money and time issues, the demand for domestic tourism too is subject to travelers motivation and intention. This study establishes a general understanding of the travel behavior and expenditure patterns among young Malaysian travelers. Overall, this study has shown the importance of young travelers to the Malaysian tourism industry and the importance of this tourist segment in undeniable for the growth of tourism industry in the future.

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# A STUDY ON INNOVATION STRATEGIES IN UPSCALE HOTELS : CURRENT STATUS AND FUTURE PLANS

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## ABSTRACT

The objective of this research was to evaluate the implementation level of innovation strategies in Egyptian upscale hotels according to the different building blocks that constitute an innovation strategy, namely; creativity and idea generation, customer focus, innovation climate, innovation culture, innovation methodology and management mandate. Furthermore, the research endeavoured to study the variance among hotels regarding the implementation of innovation strategy building blocks, and to develop a comprehensive innovation strategy action plan for these hotels based on the current situation.

The population of the research consisted of all five-star hotels in Egypt, representing 156 hotels. A questionnaire was designed and distributed to a sample of about 30% of the population. Findings of the research revealed a high level of implementation for most innovation strategy building blocks among hotel managers. The research presented important recommendations for the hotel industry practitioners and the future research. It ended up by presenting some guidelines for a comprehensive innovation strategy implementation and improvement.

**Key Words:** *Innovation, innovation strategies, innovation building blocks, upscale hotels, and Egypt.*

## INTRODUCTION

Innovation was defined as the introduction of a new idea into the marketplace in the form of a new product or service, an improvement in the organization or in processes within the organization and it ranges from minor changes to existing products, processes or services to breakthrough products, processes or services with unprecedented features or performance (Baumol and Blinder, 2000). Moreover, innovation strategy was known as the process that guides decisions on how resources are to be used to meet an organization's objectives for innovation while maintaining value and making competitive advantage (Dodgson, et al., 2008). Innovation was addressed by researchers as the driving force behind any organization's sustained survival and ongoing growth (Griseemann, et al., 2013; Liu (2007). Moreover, in order for organizations to survive in today's market characterized by a global competition, they must continue to innovate, create competitive advantage and maintain its competitiveness on the long term. Thus, it is compulsory for these organizations to invent and execute an innovation strategy, and meanwhile persuade and encourage employees to attain innovation objectives and enhance the organization's competitiveness (Johnston and Bate, 2003; Liu, 2007). Therefore, the objective of this research was to evaluate the application of innovation strategy in Egyptian luxurious hotels based on the different building blocks that constitutes the strategy in order to develop a comprehensive innovation strategy action plan for these hotels based on the current situation.

## LITERATURE REVIEW

### *The Concept of Innovation Strategy*

Innovation strategy was defined as a fundamental conceptualization of what the business is about, which in turn leads to a dramatically different way of playing the game in the industry (Markides, 2000).

Innovation strategy is concerned with the education and enhancement of individuals and groups, how knowledge can be acquired, created, diffused, consolidated, and then applied in the organization (Boer, et al., 2001). Additionally, organizations that are practicing innovation strategy may be divided into three categories; organizations that are attuned to the changes taking place in the market and see them as potential business opportunities, organizations that are eager to create new value for customers and organizations that are willing to redefine themselves and how they operate in order to pursue new and vibrant growth initiatives (Soosay, et al, 2005). Finally, the innovation strategy is very challenging, and it helps to focus attention on resources, capabilities, and processes and how they are best developed and deployed to meet an organization's objectives (Dodgson, et al., 2008).

### ***The Importance of Innovation Strategies***

Innovation strategy is fundamental to the success of innovation in all forms of organizations (Gary, 2005). In a highly competitive environment, an organization's ability to keep up with the pace of innovation and maintain continuous innovation efforts is critical to its survival and growth (Lau, et al., 2009). However, the maintenance, acquisition and growth of an organization's capabilities depend on its innovation objectives and the consequential innovation strategy (Burgelman, et al., 2001). An organization's innovation orientation guides it in adapting, integrating and reconfiguring its technological capabilities, managerial capabilities and resources endowment as appropriate in a changing environment, allowing it to maintain and enhance sustainable innovation (Song, et al., 2005).

Numerous studies have been carried out with respect to innovation strategy and the relationship between innovation strategy and performance (Fang, et al., 2011; Therrien, 2003). Burgess (2013) indicated that tourism and hospitality firms present a certain lack of innovation culture and strategy. In his view about the need for innovation strategy in organizations, Liu (2007) concluded that innovation is the driving force behind any organization's continued survival and continuous growth. According to Goktan (2005) innovation by itself is not a source of competitive advantage, but rather a means of reaching the ultimate organizational goal. The innovation process is directed by the strategy of the organization that in turn indicates the path for all efforts in the organization towards goal achievement. Moreover, it was noted that the importance of a clear innovation strategy should be integrated with the organization's growth strategy, and that it is important that the innovation strategy embraces activities both for sustaining and disruptive innovation (Malmlund, 2006). Enz (2012) indicated the importance strategies in which information about a new service innovation are shared with employees who must execute on the innovation. In sum, there is a need to examine the role of innovation strategy and the role of each building block in the innovation process.

### ***Innovation Strategy Building Blocks***

The integration of innovation strategy is possible to take place into any organization. After a thorough review of the literature, it was revealed that a number of building blocks must all be addressed properly in order for an innovation strategy to become integrated into the operating system of an organization.

The first building block is '*Creativity and idea generation*'. Creativity was defined as the production of novel and useful ideas in any domain (Amabile, et al., 1996). Morris (2006) defined creativity as the attribute or capability to see or do things in a new or different way, and the ability to conceive of and create new and different ideas and things. Robinson and Beesley (2010) conducted a study on chefs and indicated that their sample ranked creativity more highly than working conditions and that there is a clear relationship between creativity and both organizational and occupational satisfaction. Kattara and El-Said (2014) indicated that creativity is very important for innovation strategy implementation.



The second building block is '*Management mandate for innovation*'. The integration of innovation strategy into a corporation must begin with a management mandate, and that because senior management is responsible for the corporate strategy, anything that helps feed the process of strategy creation must be initiated by them (Johnston & Bate, 2003). A study of innovation in Spanish hotels revealed that senior-level research and development managers linked innovation to the profitability of the organization (Vila, Enz, and Costa 2012).

The third building block for innovation strategy is '*Focusing on customers*'. It has been argued that the role of customer is central to the successful implementation of business strategies because the current competitive business environment calls for a continuous emphasis on delivering superior quality products and services to customers (Day & Wensley, 1988). Ruekert (1992) defined customer orientation as the degree to which the business unit obtains and uses information from customers, develops a strategy which will meet customer needs, and implements that strategy by being responsive to customers' needs and wants. Also, Tajeddini (2010) indicated that being market oriented improves the results of service enterprises.

The fourth building block is a '*Supportive climate*' for innovation. According to Herting (2000) a supporting innovation climate is the specific atmosphere of an organization that stimulates and sustains the development and maintenance of a new or improved internal organizational environment and products/services. Among critical components of an innovation supporting climate are organizational and supervisory encouragement for innovation, work group support, freedom to be creative, sufficient resources, and challenging work (Cadwallader et al. 2010 Amabile et al., 1996). The fifth building block is a '*Supportive culture*' for innovation. Organizational culture was considered among many authors as a key enabler for innovation efforts in organizations (Gryskiewicz, 1999). According to Robert and Weiss (1988) organizations that embrace a culture that supports innovation are close to their customer, value-driven (innovation is one of the essential values), supportive of entrepreneurs working for them, seeking competitive advantage through a consistent and incremental process of innovation, as well as creating and maintaining realistic expectations.

The last building block is the presence of an '*Innovation methodology*'. The concept of innovation methodology has received little attention in the services literature. Morris (2006) indicated that when the importance of innovation has been thoroughly embedded into the mind of the organization and when the strategic intent is clear and the commitment to permanent innovation has been made and when people are enthusiastic and enabled, and their natural creativity is beginning to blossom, then the critical element to be added to the innovation process is methodology.

## **Objectives of the Research**

The purpose of this research is to make a significant contribution in the following areas;

1. Evaluating the level of implementation of different innovation strategy building blocks in Egyptian luxurious hotels,
2. Examining the relationship between different innovation strategy building blocks,
3. Providing recommendations that could help hotel managers and practitioners to set the appropriate innovation strategy, in addition to providing guidelines for future researches.

## **Research Questions**

The present research aims at responding to the following questions;

1. Is there an innovation strategy in Egyptian hotels which has answers for the following questions?
  - a. Are new ideas and knowledge constantly generated, valued and supported?
  - b. Are customers the core of any innovation process?
  - c. Is there an organizational climate that supports innovation?
  - d. Is there an organizational culture that embraces innovation as a core value?
  - e. Do hotels adopt a methodology to create new ideas and then turn best ideas to real application?
  - f. Do hotel managers understand the concept of innovation and provide the required support?
2. Is there a relationship between different innovation strategy building blocks?

## **Research Methodology**

### ***Questionnaire design and pilot study***

At the initial stage of the questionnaire development, a fairly extensive literature review was performed to gather questions relevant to the variables selected in the research framework to ensure all salient issues are incorporated in the questionnaire. The basic procedures employed in developing the scale for measuring the implementation of innovation strategy in Egyptian 5-star hotels for the purposes of this research followed the procedures recommended by Likert (1967). Four main steps were considered in developing the instrument. The first step was to identify and generate the needed research variables in order to answer the research questions outlined earlier. This first step was accomplished through three sources of information: (a) a review of innovation strategy building blocks used in previous researches, (b) a review of previously developed questionnaires for measuring the building blocks, and (c) insights gained from an examination of information relating to innovation strategy implementation from secondary sources such as newspapers, magazines, web sites and leaflets. The second step was the item generation stage. The third step was concerned with pre-testing the questionnaire, which was performed using a convenience sample of 25 academic staff. The aim was primarily to ensure the clarity of the questions and to measure whether the questionnaire could be completed within a reasonable period of time (about 20 minutes), and secondly to elicit some comments about the content validity. Face validity was performed through a second pre-test, using a sample of 10 hotel managers and innovation experts.

### ***The Population and the Sample***

In this research the target population consisted of 5-star hotel managers in Egypt. Using the Egyptian Hotel Guide, the researcher was able to prepare a list of 156 five star hotels in Egypt operating under 65 international and local hotel chains (EHG, 2012). The number of selected hotels under each chain was relevant to the total number 5-star hotels in the same chain (approximately 30% of the total population). Stratified random sampling technique was employed in the current study as it has the advantage of that every element in the defined population has a known, independent and equal chance of being selected as a subject, and selection of one element does not affect the selection of another element. Therefore, a completely random sample of 60 five-star hotels were taken, representing 38.4% percent of the 156 five star hotel population. One questionnaire was distributed in each hotel targeting its general manager, training manager or other managerial position that have a strong relation to the area of innovation in the hotel. From these 60 distributed questionnaires 46 were answered counting for 76.6 % response rate. The sample was chosen in a way that confirms taking into consideration most international and local hotel chains in the Egyptian hotel market.

## **Results and Discussion**

### ***Respondents' profiles and hotel characteristics***

The profile of respondents and the characteristics of the studied hotels are presented in table (1). The respondents were from different managerial positions; general managers (32.6%), training managers (41.3%), and other managerial positions (26.1%). Regarding managers' years of work with their present hotel; the category ranging from 1-3 years of work presented the highest percentage (40.8%), followed by that ranging from 5-8 years (20.4%), then that from 3-5 years (18.4%), more than 8 years (10.2%), and finally less than 1 year of work with the present hotel (4.1%). Regarding the characteristics of the hotel, the majority of studied hotels (82.6%) were attributed to chains, while (17.4%) were independent hotels. Moreover, hotels were categorized to whether highly priced hotels (23.9%) or medium priced hotels (76.1%) based on rates charged for rooms. As for the number of hotel rooms categorization; the category of more than 500 rooms presented the highest percentage (28.3%), and the category of less than 100 rooms recorded the lowest percentage (0%).

**Table 1. Respondents' profiles and hotel characteristics**

Profile of respondents								
Position	No.	%	Education background	No.	%	Years of Experience	No.	%
General Manager	15	32.6	T&H <sup>1</sup> Graduate	11	23.9	> 1	2	4.1
Training Manager	19	41.3	Non T&H Graduate	35	76.1	1 – 3	20	40.8
Others	12	26.1				3 – 5	9	18.4
						5 – 8	10	20.4
						< 8	5	10.2
Characteristics of hotels								
Price Rates	No.	%	Hotel Management	No.	%	No. of Rooms	No.	%
High priced	11	23.9	Chain	38	82.6	>100	0	0
Medium priced	35	76.1	Independent	8	17.4	100-199	5	10.8
						200-299	10	21.7
						300-399	11	23.9
						400-499	7	15.3
						<500	13	28.3

<sup>1</sup>. T&H = Tourism and hotel studies  
Total number of hotels = 46

### **Presentation of Results**

As stated earlier questions of the research were formulated to quantitatively determine and evaluate whether innovation strategy building blocks are implemented in Egyptian five-star hotels or not. In order to answer these questions, a general description of managers' responses regarding innovation strategy implementation in its different building blocks (creativity and idea generation, customer focus, innovation climate, innovation culture, innovation methodology and management mandate) is presented in the part. Descriptive analysis for each building block is based on the scores reported by hotel managers for the level of implementation in each building block. Respondents were asked to rate items on an ordinal scale of 1 (building block principles are not implemented) to 5 (building block principles are highly implemented). Results of the respondents are shown in table 2. Following results answers the first question of the study.

It is clear from results presented in table 2, that means of scores assure that most managers indicated that they agree that creativity and idea generation principles are implemented in their hotels as the overall average mean score for this building block is (4.08) and thus indicated a high basic knowledge of the basic principles of creativity and idea generation. Moreover, means of scores of all phrases regarding the existence of creativity and idea generation principles in the workplace were noted to be high. Managers responses were ranked using scores of means. Principle A.3 "Creativity is not valued in this hotel (-)" was recorded as the highest existing principle by hotel managers with a mean score of (4.39), and followed by principle A.6 "The general work climate and culture in this hotel work against creativity (-)" with a mean score of (4.35). On the other hand, principle A.4 "Our hotel is better at generating ideas compared to our competitors" recorded the least agreement and practice among hotel managers with a mean score of (3.65), and after that principle A.2 "This hotel is successful at coming up with innovative service techniques" with a recorded mean score of (3.96).

According to the calculated means of recorded scores presented in table 2, the basic principles of applying a customer focused approach in hotels were perceived to be high. The overall average mean score for this building block is (4.22) and this confirm managers' attention to the importance of focusing on customers when designing new innovations. Principle B.2 "Customer feedback is an important source of information" recorded the highest occurrence by hotel managers among other principles with a mean score of (4.61), and then principle B.3 "There are no systems to gather customer feedback (-)" with a mean score of (4.48). While on the other hand, principle B.6 "We always track the tactics of our competitors that relates to customer service" recorded the least occurrence among hotel managers with a mean score of (3.78), and followed by principle B.4 "We have a database concerning new customers and lost customers" with a mean score of (3.87).

The overall average regarding the presence of an innovative climate in the studied hotels is (3.98). Principle C.7 "Employees and managers in this hotel don't understand the facts about the hotel (-)" recorded the highest mean score (4.59), and followed by Principle C.3 "When problems arise team members are not empowered to solve (-)" with a mean score of (4.17). On the other hand, the lowest level of agreement among hotel managers' was reported for principle D.6 "workloads and roles hotel are distributed to support greater innovation" with a mean score of (3.46). Managers' interpreted the low score for this principle due to the high rate of employee turnover among hotel employees which increases workloads and inhibits creativity and innovation efforts.

The fifth block was designed to measure the degree of agreement among hotel managers regarding the existence of a culture that supports and embraces innovation efforts in the hotel. The general agreement among hotel managers was perceived to be slightly high as the overall average mean score for this building block is (3.80). According to the calculated mean scores of different principles in this building block, it is clear that the highest existence was recorded for principle D.2 "Our organizational culture reinforces organizational networks" with a mean score of (4.26), followed by principle D.3 "Our organizational culture combines inside and outside knowledge" with a mean score of (4.20), then principle E.5 "Our organizational culture avoids change (-)" with a mean score of (4.09), and after that principle D.4 "Our organizational culture seeks efficiency through innovation" with a mean score of (4.07). On the other hand, the lowest level of agreement among hotel managers' was reported for principle E.1 "Our organizational culture seeks stability (-)" with a mean score of (3.15), and followed by principle D.7 "Our organizational culture is determined by taking risks" with a mean score of (3.26).

Analysis of the means of scores was conducted to determine the level of implementation of innovation methodology principles. According to the calculated means of scores, it is apparent that innovation efforts in these hotels implement all the steps of the innovation methodology as the overall implementation

among hotel managers was perceived to be a little high because the overall average means score for this building block is (3.95). Regarding the calculated mean scores of different principles in this building block, it is clear that the highest implementation was recorded for principle E.2 "Creating great ideas and choosing the best of them" with a mean score of (4.20), followed by principle E.3 "Transforming great ideas into great innovations" with a mean score of (4.04), and then principle E.4 "Applying great innovations to develop markets" with a mean score of (4.04). On the other hand, the lowest level of implementation reported by hotel managers was reported for principle E.5 "Normalizing the innovation culture as permanent innovation" with a mean score of (3.72), followed by principle E.6 "Measuring the return on innovation that the hotel achieves" with a mean score of (3.74). Moreover, there was high rate of disagreement among hotel managers regarding the proposition cited in principle E.7 "Innovation efforts relate to just a loose set of policies (Luck) (-)" with a mean score of (4.02).

The last part of the questionnaire was designed to examine the degree to which senior managers support the implementation of innovation strategy in their hotels. It is clear that management mandate principles are implemented in these hotels to some extent, as the overall implementation among hotel managers was perceived to be a little high because the overall average mean score for this building block is (3.75). With regard to the calculated mean scores of different principles in this building block, it is clear that the highest implementation was recorded for principle F.7 "There is no clarity concerning who is responsible for the results (-)" with a mean score of (4.52), followed by principle G.4 "Senior managers have the responsibility to lead innovation efforts" with a mean score of (4.20), and then principle F.1 "All employees in this hotel understand the future vision of hotel" with a mean score of (4.09). On the other hand, the lowest level of implementation reported by hotel managers was reported for principle F.6 "We establish a linkage with a local university by funding studies" with a mean score of (1.65), and followed by principle F.5 "We institute innovation awards" with a mean score of (3.80).

**Table 2. Summary of descriptive analysis results of different innovation strategy blocks**

Innovation Strategy Building Blocks		Mean	S.D.	Rank
<b>Block one: Creativity and idea generation 1= Completely disagree - - - 5=Completely agree</b>				
A.1	New ideas and knowledge are constantly generated in this hotel.	4.20	0.78	3
A.2	This hotel is successful at coming up with innovative service techniques.	3.96	0.79	6
A.3	<i>Creativity is not valued in this hotel<sup>(*)</sup></i>	4.39	0.77	1
A.4	Our hotel is better at generating ideas compared to our competitors.	3.65	0.82	7
A.5	Creativity has a role to play in employee advancement in this hotel.	4.07	0.74	4
A.6	<i>The general work climate and culture in this hotel work against creativity<sup>(*)</sup></i>	4.35	0.90	2
A.7	Creativity has a positive effect on the financial position of this hotel.	3.98	0.86	5
<b>Overall agreement regarding the presence of creativity and idea generation</b>		<b>4.08</b>	<b>0.84</b>	
<b>Block two: Focus on the customer 1= Almost never - - - 5=Almost always</b>				
B.1	We conduct market research studies to divide customers into market segments	4.22	1.01	4
B.2	Customer feedback is an important source of information	4.61	0.65	1
B.3	<i>There are no systems to gather customer feedback<sup>(*)</sup></i>	4.48	0.91	2
B.4	We have a database concerning new customers and lost customers.	3.87	1.05	6
B.5	We have a database for loyal customers and seek their opinions periodically.	4.43	0.83	3
B.6	We always track the tactics of our competitors that relates to customer service.	3.78	0.89	7
B.7	<i>We don't have a view of possible future customer trends<sup>(*)</sup></i>	4.15	1.19	5
<b>Overall agreement regarding the presence of customer focus in hotels</b>		<b>4.22</b>	<b>0.98</b>	
<b>Block Three: Innovation Climate 1= Completely disagree - - - 5=Completely agree</b>				
C.1	<i>Our hotel's organizational structure prevents innovation efforts<sup>(*)</sup></i>	3.78	1.05	6
C.2	Our hotel's delegation of power system strengthens innovation efforts.	4.07	0.71	3
C.3	<i>When problems arise team members are not empowered to solve<sup>(*)</sup></i>	4.17	0.74	2
C.4	Our hotel's information flows facilitates implementing innovative ideas	3.93	0.93	4

C.5	Our hotel's resource allocation systems encourage innovation efforts.	3.87	0.72	5
C.6	Workloads and roles in our hotel are distributed to support innovation	3.46	1.07	7
C.7	<i>Employees and managers in this hotel don't understand the facts about the hotel</i> <sup>(-)</sup>	4.59	0.69	1
<b>Overall agreement regarding the presentation of a supportive innovation climate</b>		<b>3.98</b>	<b>0.91</b>	
<b>Block Four: Innovation Culture 1= Completely disagree - - -5=Completely agree</b>				
D.1	<i>Our organizational culture seeks stability</i> <sup>(-)</sup>	3.15	0.99	7
D.2	Our organizational culture reinforces organizational networks.	4.26	0.61	1
D.3	Our organizational culture combines inside and outside knowledge.	4.20	0.81	2
D.4	Our organizational culture seeks efficiency through innovation.	4.07	0.83	4
D.5	<i>Our organizational culture avoids change</i> <sup>(-)</sup>	4.09	1.11	3
D.6	Organizational culture challenge existing management models.	3.59	1.00	5
D.7	Our organizational culture is determined by taking risks.	3.26	1.20	6
<b>Overall agreement regarding the presence of an organizational culture that support innovation</b>		<b>3.80</b>	<b>1.04</b>	
<b>Block Five: Innovation methodology 1= Not at all - - -5=To a great extent</b>				
E.1	This hotel implements the innovation process using a complete and substantive methodology for the following steps:	3.89	0.82	5
E.2	Creating great ideas and choosing the best of them;	4.20	0.81	1
E.3	Transforming great ideas into great innovations;	4.04	0.94	2
E.4	Applying great innovations to develop markets	4.04	0.89	3
E.5	Normalizing the innovation culture as permanent innovation.	3.72	1.07	7
E.6	Measuring the return on innovation that the hotel achieves	3.74	0.83	6
E.7	<i>Innovation efforts relate to just a loose set of policies (Luck)</i> <sup>(-)</sup>	4.02	1.01	4
<b>Overall agreement regarding the implementation of innovation methodology</b>		<b>3.95</b>	<b>0.92</b>	
<b>Block seven: Management Mandate 1= Almost never - - -5=Almost always</b>				
F.1	All employees in this hotel understand the future vision of hotel	4.09	0.69	3
F.2	<i>Senior management is not committed to do infrastructure changes</i> <sup>(-)</sup>	4.02	0.93	4
F.3	Employees feel top management is enthusiastic about their work.	3.98	0.68	5
F.4	Senior managers have the responsibility to lead innovation efforts	4.20	0.65	2
F.5	We institute innovation awards	3.80	0.78	6
F.6	We establish a linkage with a local university by funding studies	1.65	0.77	7
F.7	<i>There is no clarity concerning who is responsible for the results</i> <sup>(-)</sup>	4.52	0.69	1
<b>Overall agreement regarding management mandate</b>		<b>3.75</b>	<b>1.15</b>	

*Source: the researcher based on Field Survey Data Analysis*

*Positive statements are in standard and negative ones are in italic and have the symbol of (-).*

## DISCUSSION OF RESULTS

It can be concluded that while means of scores regarding the agreement of hotel managers that **creativity and idea generation** principles existence in their hotels are high (overall mean, 4.08), results of the open ended questions indicated that more efforts and endeavours are definitely required from hotel managers to assure the application of idea generation and creativity principles and check weakness points and neglected procedures. This result is in agreement with the results of a study conducted by Hon (2011) who indicated that organization environment plays a significant role in predicting employee creativity. The level of **customer focus** varied across the studied hotels (overall mean, 4.22). All in all it can be concluded that results of the means of scores as well as results of the open ended questions indicated that a lot of efforts and steps are to be taken in order to meet customers' needs and wants in the Egyptian highly competitive market. This is in line with a previous study that indicated the importance of gathering customers' information and the higher productivity level expected from higher levels of information processing to meet customers' needs and wants (Chathoth, 2007).

The overall mean regarding the existence of **supportive climate** to innovation strategy implementation is (3.98). Results of open-ended questions indicated that most hotels' organizational structures were observed to be centralized bureaucratic except for higher chain categories. Moreover, it was observed that the higher the category, the more empowerment is given to the employees for handling guests' issues. Goktan (2005) emphasized the importance of an innovation supporting climate because it

is necessary for creative ideas to emerge in organizations and such climate encourages individuals to use their creative potential and provides the necessary resources. The presence of **a culture for innovation** was also precisely studied and many significant results were found (overall mean, 3.80). Many hotel managers asserted that, due to the high labour turnover and poor employment conditions and human resource management practices, it is difficult to create an organizational culture that supports innovation. This result was in agreement with the literature (Ogbonna & Harris, 2002).

An important component of the innovation strategy framework is the existence of **a methodology** that directs the innovation efforts in the hotel toward achieving innovation goals (overall mean, 3.95). None of the studied hotels proved to have a complete written innovation methodology. Some hotels have incomplete innovation methodologies, especially large hotel chains. Similarly, Huston and Sakkab (2006) found that even when organizations are committed to innovation, most of these organizations fall in one of three categories regarding methodology., incomplete methodology, poorly applied methodology, or absent methodology, any of which can cripple innovation efforts. Additionally, the innovation strategy can be the reflection of the characteristics of **top management** in the hotel industry (overall mean, 3.75). Results indicated that the importance of top management team is presented in their direct responsibility for setting the hotel’s strategic objectives as well as for allocating the resources necessary for implementing the strategies. This result was confirmed with some studies affirming that the integration of innovation strategy into a corporation must begin with a management mandate because senior management is responsible for the corporate strategy and anything that helps feed the process of strategy creation must be initiated by them (Johnston & Bate, 2003).

The statistical test **Pearson Correlation (P.C)** was employed in order to test the relationship among the different innovation strategy building blocks. Results illustrated in table 3, revealed a highly significant correlation between all the innovation strategy building blocks. This highly significant correlation means that an increase in any of the six building blocks will consequently lead to an increase in all other building blocks. These results provided an answer for the second question of the research as it indicated the relationship between the different building blocks that build up the innovation strategy.

**Table 3. Correlations between different innovation strategy building blocks**

Innovation building blocks		Creativity & idea Generation	Customer Focus	Innovation Climate	Innovation Culture	Innovation methodology
Customer Focus	PC	.551 (**)	-	-	-	-
	Sig.	.000	-	-	-	-
Innovation Climate	PC	.468 (**)	.562(**)	-	-	-
	Sig.	.001	.000	-	-	-
Innovation Culture	PC	.682 (**)	.591(**)	.739 (**)	-	-
	Sig.	.000	.000	.000	-	-
Innovation methodology	PC	.650 (**)	.466 (**)	.552 (**)	.724 (**)	-
	Sig.	.000	.001	.000	.000	-
Management Mandate	PC	.611 (**)	.467 (**)	.649 (**)	.698 (**)	.654 (**)
	Sig.	.000	.001	.000	.000	.000

## Limitations and Directions for Future Research

This research shows very promising results with respect to the innovation strategy implementation, but it represents an initial attempt to investigate the phenomenon. It is noteworthy to mention that, several limitations were encountered in the current research. These included that the research was limited to the category of 5-star hotels in Egypt. Future research should explore other categories of hotels as well as other types of service contexts such as restaurants, motels, etc. Moreover, due to time restrictions, this research was conducted at a single time point. Suggestions for future researchers are to adopt a time crossing methodology for research design rather than a single time point. Findings of the research were, therefore, indicative rather than conclusive. Additionally, there were no previous studies that tried to draw a complete picture of the different blocks that constitutes innovation strategy. Therefore, a lot of future studies are needed in order to ensure the reliability of results.

## Recommendations of the Research

The findings of this research, when correlated to the review of literature, raised major recommendations that have to be directed to hotel managers in the area of innovation strategy implementation. Hotel managers have to motivate employees' creativity. Money should not be the only tool used for motivation. Other ideas to motivate employees may include, feeling of accomplishment and importance by enabling employees to contribute thoughts, ideas, suggestions to problems at hand or to regular work activities, and frequent communication between leaders and employees. Managers have to study the design of the physical workspace to create opportunities for interaction among employees and facilitate the flow of information among team members. It is recommended that the Egyptian hotel association creates a formal channel of communication between different hotels in Egypt that allow each hotel to acquire the needed information about customers in other hotels at any time. Moreover, hotels should create yearly financial reserves directed to enhancing their current situation (incremental innovation) and introducing innovative solutions (radical innovation) required by customers. The CEO and senior executives in hotels must believe that innovation is important and consistently reinforce the need for innovation by sponsoring new ideas and pushing for more innovation at the strategic level and throughout the business. Training is an important factor in the transition to a culture of innovation, as it can teach employees essential methods, processes and tools for innovation.

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# MANAGING TOURISM EFFECTS FOR ATTITUDES OF JORDANIANS TOWARDS TOURISM : THE CASE OF PETRA

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## ABSTRACT

The present study aims to managing tourism effect for attitudes of Jordanians toward tourism in the historical city of south of Jordan, Petra. To achieve this purpose, a questionnaire was constructed, with four sub-scales; cultural, economical, political, and social scales. The new questionnaire was administered to (500) Jordanians who live in Petra. Results showed high level of attitude toward tourism and subjects showed the highest level of attitude in social sub-scale and the lowest in the political sub-scale. Also, the results showed a significant effect of number of visits to tourist sites on the attitudes toward tourism. However, no effect was found for age, income, gender, educational status and profession.

**Keywords:** Tourism, attitude, culture, host community, negative impacts, Petra, political impact, social impact.

## INTRODUCTION

Several countries make many efforts to facilitate and develop tourism, and to design touristic programs which include providing developed touristic services and obtaining appropriate economic, political, social and cultural returns. Koniac and Albert (1991) have confirmed that global tourism has been expanded sixteen times since the period between the middle of this century to the 1990's, as their estimated number in 1987 was about (364) million global tourists excluding internal tourism.

Jawabreh (2014) the study aims at investigating to know the mutual impact between tourism and the Jordanian host community toward tourism in Jordan and India. Results showed that the highest level of attitudes toward tourism was in the economical sub-scale and the lowest was in the social sub-scale.

Ashworth (1989) confirms that recent years have showed an interest in general tourism, particularly in the development of tourism in rural areas in order to enhance the relationship between cultural and economic aspects as countryside is a recognition source of prevalent culture in community.

Koniac and Albert (1991) add that the estimated expenditure volume carried out by tourists across countries by the end of 1980's of this century was about (150) million USD. However, tourism is still restricted to developed countries as two thirds of the aforementioned amount is spent in developed countries which provide developed touristic programs of service and attraction.

Show (1992) confirms that tourism has become a global concept which requires openness and communication with the world in terms of marketing and consumption. Nevertheless, a refiner of global tourism finds that about 63% of global tourism are located in the

countries of Western Europe and America, which confirms the universality of tourism.

Arab countries in general, Jordan in particular, are considered as rich areas of touristic potential, but the economic output of such potential has not sufficiently been invested to ensure a prominent position in global tourism. Therefore, Arab countries are responsible for the interest in tourism in terms of organization, coordination, marketing and program designs which guarantee external tourism attraction, internal tourism development, and prevention of Arab inhabitants from the diversion of their financial resources to other developed countries.

Several studies found that residents benefiting from tourism have a higher level of support for it and thus report more positive impacts (Husbands 1989; Madrigal 1993; Lankford and Howard 1994).

In Jordan, we lack periodic studies on managing tourism effects on parents' attitudes and local community members' reactions toward tourism for the purpose of evaluation from time to time. Accordingly, necessary strategies and plans can be prepared to activate and develop tourism process. If we follow up the studies conducted in Jordan on such a subject, we find it rare by touristic institutions.

Sometimes, there are general attitudes for the local community members toward a particular situation, such as the attitudes and perceptions of Um Qais residents toward Israeli tourists at the time being. Such attitudes come from stereotypes or contact, and the low interaction of some people with tourism in comparison with others is due to lack of awareness about the economic contribution that tourism brings to them and their communities. If tourism industry wants to improve the relationship with the local community, it should find some ways to increase the positive features and decrease the associated problems, as the more tourism industry grows, the more change occurs not only in regard to social communication, but also people would be under an increasing pressure of competition on place, touristic resources available within their communities, and traffic. Thus, the inhabitant finds his/ her town adapted for the benefit of tourist not

him/herself, therefore, tourism development leads to increase the infringement of public morality.

Tourism concept confronts several definitions by scholars and those who are interested in tourism. Some have defined it as the economic activity which leads individuals to move from one place to another for a period which is not less than (24) hours and does not reach stability and permanent residence (Khudari, 1989; Nash, 1979). Others have defined it as the art of maximization of stability and self-relief, the minimization of tension, and the satisfaction of tourist's desires and motives (Al-Hamami, 1988; Al-Rubi, 1984; Anderson, 1981).

The diversity of interests and specializations interested in tourism concept led to their variations, but for the current study purposes, it is necessary to set a definition which fits the research subject of tourism and attitudes toward it. Tourism is a kind of old human behavior which is crystallized through the communication and interaction with other societies and cultures by initializing a relationship that combines two parties: one is the host and the other is the guest, so that it achieves a mutual benefit for both parties in the economic, political, cultural and social areas.

Thereby, it clearly appears that there are many benefits reflected by tourism movement. Tourism has its own economic and cultural outputs (Koniac and Albert, 1991) through the communication with other cultures, viewing their features (Owens, 1991), and the activation of political relationships among countries and people (Show, 1992). And, finally, it has its own social output through deepening the social relationships between the

individuals of the same community, and viewing people's different traditions and rituals (Al-Hamami, 1988).

## **LITERATURE REVIEW**

The current study focused on managing the touristic effects in Jordan to identify people's vision and their method of evaluation for tourism material, social, political and cultural aspects. When scanning the studies on such a subject, one finds that there is a clear absence of local studies (to the knowledge of researchers) that deal with such a subject. For global studies, they are limited and most of them have been recently interested in.

In the study conducted by Kasyanenko (1993) on Turkish tourism reality, the results showed that tourism has recently contributed to a marked increase in the national income, an increase in investment opportunities, and a clear improvement of investing inhabitants' attitudes toward the national tourism projects.

Robinson (1993) has also conducted a study aiming at justifying the reasons of low global tourism in the Island of Malta which contains many beautiful historical and architectural places. Results have attributed the low turnout of tourists to the inability of government to clean up the coasts surrounding the Island, and the negative attitudes of inhabitants, which scare tourists and reduce their return to such areas.

In a study conducted by Philpp (1993) to compare between the opinions of white and black Americans on many American touristic sites, the results confirmed that there are differences between blacks and whites in the selection of touristic sites and the degree of

significance estimation for each touristic site. The study also showed differences in attitudes toward tourism in favor of whites over most touristic sites.

In another study conducted by Lennon (1994) on tourism of royal palaces in the United Kingdom, the results confirmed that tourism volume has begun to rise significantly as a result of positive changes of people attitudes toward the Royal Family and their attempts to open some royal palaces for the visits as national symbols of Britons.

Mansfield and Ginosar (1994) have conducted a study aimed at recognizing the attitudes and perceptions of Israelis toward tourism development plans in rural areas. The study revealed that there are positive attitudes and perceptions toward tourism development programs and the solutions followed by official authorities to deal with internal tourism problems.

In light of all these studies, the clarity and significance of people attitudes toward tourism in the social, economic, cultural and political aspects are noticeable, as the studies showed a clear relationship between positive attitudes toward tourism, the increase of people demand for tourism, national income increase, increase in investment projects, and the improvement of public relations between the countries or within communities.

### **Problem and Question of Study**

Tourism is considered as a component of national income in developed societies. Jordan has gone a long way to reach tourism concern, promotion, maintenance and service development of touristic sites. In order to develop tourism systematically and satisfactorily in all respects, it is required to study Jordanians' attitudes, their acceptance for tourism, and their ability to coexist and engage as external tourism recipients or as internal tourism participants.

The current study aims at recognizing the management of tourism effects for Jordanians' attitudes toward tourism in Petra District, and exploring the factors affecting their attitudes toward tourism with its social, political, economic and cultural dimensions.

The study answered the following questions:

- 1) What are the attitudes of the touristic city Petra's residents toward tourism?
- 2) Are there any statistically significant variations in the attitudes of study sample members toward tourism due to gender?
- 3) Are there any statistically significant variations in the attitudes of study sample members toward tourism due to job?
- 4) Are there any statistically significant variations in the attitudes of study sample members toward tourism due to qualification?
- 5) Are there any statistically significant variations in the attitudes of study sample members toward tourism due to age?
- 6) Are there any statistically significant variations in the attitudes of study sample members toward tourism due to economic income level?
- 7) Are there any statistically significant variations between the number of individual's touristic visits and his/ her attitudes toward tourism?

### **Significance of Study**

This study is one of the pioneering studies in Jordan (to the knowledge of researchers) which deals with managing tourism effects for the attitudes toward tourism using a statistical scientific method, as the two researchers have developed a new instrument to measure such attitudes in one of the most significant touristic sites in South Jordan. The results of this study could be useful to recognize the Jordanians' attitudes toward tourism within the programs of tourism development, population awareness about tourism significance, and the economic, social, political and cultural outputs at the individual and national levels.

### **Definition of Terms**

**Attitude:** A sort of positive or negative evaluation toward the persons, situations or subjects which surround the individual.

**Tourism:** A kind of human behavior which is crystallized through the communication with other societies, cultures and touristic sites, so that it achieves a mutual benefit for both parties in the economic, political, cultural and social areas.

**Attitude toward Tourism:** The individual's positive or negative evaluation toward dealing with touristic sites and tourists who attend them. For the purposes of the current study, Attitude toward Tourism would be defined as the degree that the examinee achieved in the test prepared by the two researchers for such a purpose.

Tourism has become a social and cultural event for both: the guest and host. One of the most prominent attractions is the ability to view several sites in the world, and to see different lifestyles and new cultures.

## **METHODOLOGY**

In this research, the Statistical Package for the Social Sciences (SPSS) was used for data entry as well as for examining the data later. Data preparation was the initial step, which

aimed to convert raw data into a more structured format that is more appropriate for analysis. Tasks in this stage included data editing, data coding and data entry.

Descriptive statistics were used to summarize respondent's characteristics, including demographic information, such as age, gender; also, questions about the participating company's profile, such as the numbers of Customer were included. Furthermore, inferential statistics were used to test hypotheses to determine the relationship between variables. In particular, Pearson Correlation was used to verify the association of interval level to the construct, whilst Chi-square was used to validate the association between nominal variables and the construct. Moreover, the Cronbach coefficient alpha was used for reliability tests. Lastly, the variable analysis tool, analysis of variance (ANOVA),

was used to determine relationship between tourism Effects for Attitudes of Jordanians towards Tourism: The Case of Petra.

### Population

The study population consisted of all adult inhabitants who live in Petra touristic district, who are about (28130) people. Petra is called "Sela", a historical city located in South Jordan, 262 km south Aqaba. Petra is one of the most important touristic sites in Jordan and worldwide as it is unique. It is located in the west of the main road which links Amman, the capital city, to the archeological sites. It has recently ranked second in the universal competition of World Seven Wonders, and it is an entire city carved in the rosary rock.

It is believed that Petra was inhabited in the pre-historic ages. Remains of an agricultural village have been discovered in "Albaida" village, and this set it on an equal footing with Jericho as one of the most ancient settlements in the Middle East (Al-Ta'i, 2004). Petra history is shrouded in mystery, but the excavations conducted by Kirkbride have found some instruments had been used by Paleolithic age humans. Kirkbride has also conducted some excavations in the south of Petra, Al-Baida site, where six positions of villages which belong to the Triassic age have appeared. Further, it appeared that there are instruments made of bones and rocks, weapons, and indications of commercial exchange with Asia Minor and Mediterranean Coast (Latexter Harding, 1979). Nabataeans is a Northern Arab tribe which apparently migrated from Yemen areas seeking for livelihood, agriculture and livestock after the destruction of Marib Dam, a fact proved by the methods of irrigation, agriculture and sculpture used by Nabataeans in Petra.

Theodor Siculus, a Greek author, said that in the fourth century BC, Nabataeans were a group of ten thousand Bedouins who lived in the desert (Muhaisen, 2004).

### Sampling

In order to reach the study sample, 500 questionnaires have been distributed, 436 questionnaires have been restored, 220 males and 216 females. Table (1) shows the sample distribution according to gender, profession, age, and education and income levels.

**Table 1.** Sample Distribution according to Study Variables

Study Levels	Variable Level	Number	Percentage
Gender	Male	220	50.5 %
	Female	216	49.5 %
Profession	Public Sector	245	56.2 %
	Private Sector	191	43.8 %

Age	20 years or less	82	18.8 %
	21-25	148	33.9 %
	26-30	119	27.3 %



	31-40	52	11.9 %
	41 or more	35	8 %
Education Level	Less than Secondary	65	14.9 %
	Secondary	122	28 %
	Diploma	111	25.5 %
	Bachelor	91	20.9 %
	Higher Education	47	10.8 %
Income Level	100 JD or less	49	11.2 %
	101 - 150	165	37.8 %
	151 – 200	110	25.2 %
	201 - 300	95	21.8 %
	301 or more	17	3.9 %

To reach the study sample, a number of Petra residents have been recruited to direct the researchers into the largest number of residents who are able to read and fill the questionnaire, and those residents who would like to participate voluntarily. The researchers were able to distribute (500) questionnaires.

#### Reliability

To prove the construct validity, the correlation coefficients have been calculated between the four dimensions and the total score of the questionnaire, as shown in Table 2.

**Table 2.** The correlation coefficient between the scores of the dimensions and the overall score of the questionnaire for the attitudes toward tourism

Variables	correlation coefficient
The cultural dimension	0.817
The social dimension	0.834
The economic dimension	0.848
The political dimension	0.775

It is clear from Table (2) that the four dimensions are associated positively with the overall score of the questionnaire for the attitudes towards tourism, this confirms the validity of the questionnaire and indicates the integration of the four dimensions in their ability to measure general attitudes towards tourism.

Through reviewing all previous procedures of reliability, it is clear that the questionnaire in its final form of 40 paragraphs has a high degree of reliability for the purposes of the current study.

**Table 3.** The correlation coefficient between the cultural dimension and the overall dimensions of the questionnaire for the attitudes towards tourism

Variables	The correlation coefficient for The social dimension	The correlation coefficient for The economic	The correlation coefficient for The political dimension

			dimension	
The cultural dimension	0.577		0.574	0.509

We note from Table (3) that there is integration between the cultural dimension and the other dimensions of the study, the matter that indicates the degree of constancy, reliability and the validity for the purposes of the study.

**First:** Results related to the first question: What are the attitudes of Petra toward tourism? To answer this question, the mean, the standard deviation and the class of the study sample in the questionnaire were calculated as a whole and for each field of the study. The range of scores was divided into three categories as described in Table 4.

**Table 4.** Means, standard deviations, and frequencies According to the overall fields of the tool of study

Field	Attitude degree	Range	frequency	Frequency	Average	St-deviation	Field Class
Cultural	Low	1-2.33	10	2.3%	3.520	0.67	3
	Medium	2.34-2.66	224	51.4%			
	High	3.67-5	202	46.3%			
Social	Low	1-2.33	2	0.5%	4.51	0.60	1
	Medium	2.34-3.66	87	20%			
	High	3.67-5	347	79.6%			
Economic	Low	1-2.33	9	2.1%	3.81	0.70	2
	Medium	2.34-2.66	165	37.8%			
	High	3.67-5	262	60.1%			
Political	Low	1-2.33	37	8.5%	3.53	0.89	4
	Medium	2.34-3.66	79	54.4%			
	High	3.67-5	201	46.1%			
The overall instrument	Low	1-2.33	14	3%	3.84	0.511	
	Medium	2.34-3.66	183	40%			
	High	3.67-5	252	57%			

\*The scores of attitude scale ranged between 1 to 5.

It is notable from the previous table that all the means of the fields of the study the overall mean were higher than (3) and lower than (5) with entire standard deviations which were lower than (1) and convergent. It is also notable that the attitudes of the study sample towards tourism in general (the overall instrument) were high, as the overall mean of the study sample was (3.84) and the standard deviation was (0.511).

We note that the social field has occupied the first rank among the members of the study sample where the mean was (4.51), and this indicates that the attitudes of the sample towards tourism from a social aspect have occupied the first rank. The second rank of significance has been occupied by the economic field with a mean of (3.81), then the cultural field has occupied the third rank with a mean of (3.53), and the political field has occupied the last rank with the least mean (3.53). This indicates that the attitudes of the study's sample were the least towards the impact of tourism from the cultural aspect.

The examination of the percentages and frequencies proves that nearly two-thirds of the

sample (75%) are characterized by high attitudes toward tourism; (40%) of the sample are characterized by medium attitudes towards tourism; and about 3% of the sample have low attitudes toward tourism.

Second: Results related to the second question. Are there any statistically significant differences between the attitudes of the study sample toward tourism due to gender?

To answer this question, the means and the standard deviations of the study sample members for the overall instrument as described in table (5).

**Table 5.** Means, standard deviations, and frequencies of the study sample members for the overall instrument according to gender variable

Gender	frequency	Frequency	Mean	Standard deviation
Male	220	50.5%	3.868	0.5004
Female	216	49.5%	3.813	0,525

It is notable in table (5) that there are arithmetic differences in the means and standard deviations of the attitudes of the study sample according to the gender variable. In order to recognize the significance of these differences from a statistical aspect on the overall instrument, the ANOVA - ONE WAY ANOVA - test was used as described in table (5).

**Table 6.** The results of ANOVA test for the detection of the gender effect on the attitudes of the members of study sample on the overall instrument

Source of variation	Sum of squares	Degrees of freedom	Means of Squares	"F" Value	Statistical significance
Among groups	0.180	1	0.18	0.68	0.40
Within the groups	62.28	238	0.26		
Total	62.46	239			

We note from table (5) that there was no statistical significance of the gender variable in the attitudes of the study sample members on the overall instrument, which indicates that the differences were arithmetic and not essential.

Third: The results related to the third question. Are there any statistically significant variations in the attitudes of study sample members toward tourism due to job?

To answer this question, the means, and the standard deviations for the study sample members on the overall instrument were calculated as defined in table (8).

**Table 7.** The means, the standard deviations, and the frequencies of the study sample members on the overall instrument according to the job variable

Job	frequency	Frequency	Mean	Standard deviation
Public sector	245	34,6%	3,793	0.559
Private sector	191	65.4%	3.871	0.483

It is notable in table (7) that there are arithmetic differences in the means and standard deviations of the study sample attitudes according to the job variable. In order to recognize the significance of these differences from a statistical aspect on the overall instrument, the ONE WAY ANOVA- test was used as in table (7).

**Table 8.** The results of ANOVA test for the detection of the job effect on the attitudes of the study sample members on the overall instrument

Source of variation	Sum of squares	Degrees of liberty	Means of Squares	"F" Value	Statistical significance
Among groups	0.33	1	0.33	1.26	0.26
Within the groups	62.3	330	0.261		
Total	62.46	261			

We note from table (8) that there was no statistical significance of the job variable in the attitudes of study sample members on the overall instrument, which indicates that the differences were arithmetic and not essential.

Forth: The results related to the forth question. Are there any statistically significant variations in the attitudes of study sample members toward tourism due to qualification? To answer this question, the means, and the standard deviations for the study sample members on the overall instrument were calculated as describes in table (9).

**Table 9.** The means, the standard deviations, and the frequencies for the members of study's sample on the overall tool according to the qualification variable

Qualification	Frequency	Frequency	Mean	Standard deviation
Less than secondary	65	14.9%	3.955	0.382

Secondary	122	28%	3.806	0.567
Diploma	111	25.5%	3.844	0.402
Bachelor	91	20.9%	3.839	0.545
Higher Education	47	10.8%	3.945	0.362

It is notable from table (9) that there are arithmetic differences in the means and standard deviations of the study sample attitudes according to the qualification variable. In order to recognize the significance of these differences from a statistical aspect on the overall tool, the ONE WAY ANOVA - test was used as in table (9).

**Table 10.** The results of ANOVA test for the detection of qualification effect on the attitudes of the study sample members on the overall instrument

Source of variation	Sum of squares	Degrees of liberty	Means of Squares	"F" Value	Statistical significance
Between group	0.34	4	8.73	0.330	0.85
Within the groups	62.11	235	0.26		
Total	62.46	239			

We note from table (10) that there was no statistical significance of the qualification variable in the attitudes of the study sample members on the overall instrument, which indicates that the differences were arithmetic and not essential.

Fifth: The results related to the fifth question. Are there any statistically significant variations in the attitudes of study sample members toward tourism due to age?

To answer this question, the means and the standard deviations of the study sample members on the overall instrument were calculated as defined in table (11).

**Table 11.** The means, the standard deviations, and the frequencies of the study sample members on the overall instrument according to the age variable

Age category	frequency	Frequency	Mean	Standard deviation
20 years and less	82	18.8%	3.839	0.344
21-25	148	33.9%	3.865	0.510
26-30	119	27.3%	3.865	0.538
31-40	52	11.9%	3.804	0.533
41 and more	35	8%	3.78	0.472

It is notable from table (11) that there are arithmetic differences in the means and standard deviations of the study sample attitudes according to the age variable. In order to recognize the significance of these differences from a statistical aspect on the overall instrument, the ONE WAY ANOVA - test was used as described in table (11).

**Table 12.** The results of ANOVA test for the detection of the age effect on the attitudes of the study sample members on the overall instrument

Source of variation	Sum of squares	Degrees of liberty	Means of Squares	"F" Value	Statistical significance
Among group	0.222	4	5.558	0.210	0.993
Within the groups	62.244	235	02 – E		
Total	62.466	239	0.26		

We note from table (12) that there was no statistical significance of the age variable in the attitudes of study sample members on the overall instrument, which indicates that the differences were arithmetic and not essential.

Sixth: The results related to the sixth question. Are there any statistically significant variations in the attitudes of study sample members toward tourism due to economic income level?

To answer this question, the means and the standard deviations of the study sample members on the overall instrument were calculated as described in table (13).

**Table 13.** The means, the standard deviations, and the frequencies of the study sample members on the overall instrument according to the income level variable

Income level	frequency	Frequency	Mean	standard deviation
100 J.D or less	49	11.2%	3.684	0.483
101-150	165	37.8%	3.747	0.6008
151-200	110	25.2%	3.951	0.389
201-300	95	21.8%	3.902	0.4404
301 or more	17	3.9%	3.810	0.5802

It is notable from table (13) that there are arithmetic differences in the means and standard deviations of the study sample attitudes according to the income level variable. In order to recognize the significance of these differences from a statistical aspect on the overall instrument, the ONE WAY ANOVA - test was used as explained in table (13).

**Table 14.**The results of ANOVA test for the detection of the income level effect of on the attitudes of the study sample members on the overall instrument

Source of variation	Sum of squares	Degrees of freedom	Means of Squares	"F" Value	Statistical significance
Between group	1.67	4	0.417	1.613	0.172
Within the groups	60.797	235	0.259		
Total	62.466	239			

We note from table (14) that there was no statistical significance of the income level variable in the attitudes of the study sample members on the overall tool, this indicates that the differences were arithmetic and not essential.

**Table 15.**Pearson correlation coefficient between the number of internal and external tourist visits, and the attitudes toward tourism

Visit Type	cultural field	social field	economic field	political field	overall instrument
Outside Jordan	0.17	0.052	0.009	0.108	0.013
Inside Jordan	0.029	0.012	0.051	0.090	0.012

Seventh: The results related to the seventh question. Are there any statistically significant variations between the number of individual's touristic visits and his/ her attitudes toward tourism?

In order to answer this question, (Person – R) correlation coefficient has been calculated between the visits inside and outside Jordan, and the attitudes toward tourism as described in Table (15).

We notice in table (15) that all correlations between the number of external visits and the attitudes toward tourism in all fields and overall instrument were positive, and they were statistically significant in the economic field and overall instrument, which proves the consideration of the economic factor as a determiner of external travel or not, other than the other fields.

The correlations between the internal visits and the attitudes toward tourism in all fields and overall instrument were positive and statistically significant in the cultural and social fields and the overall instrument, i.e. the more the internal visits, the higher the attitudes toward tourism in the cultural and social fields. Also, the correlation between

the number of internal visits and the attitudes towards tourism is positive in all fields and overall instrument.

## **DISCUSSION**

The society of Petra is characterized by the multiplicity of tribes as the region is attractive for employment from various governorates of Jordan. However, the results showed that there are high attitudes toward tourism as their Frequency was 57 %, medium attitudes were 40%, and the low attitudes were 3% of the study sample. Therefore, we find, according to these percentages, a positive and high indicator in the high and moderate attitudes with the percentage of (97%). The reason behind these high percentages is Petra local community members' feeling of the financial benefits obtained from the touristic process and the significant investment of tourism sector in the city, in addition to Petra citizens' feeling of the importance of the tourism sector to the gross national product.

3% of the study sample showed negative attitudes because a few residents believe that tourism brings negative impact only, so that the effect on the local culture of the local community members in the city came as a result of tourism process.

The results showed a logical order for the distribution of the fields of the attitudes toward tourism, where the social field has occupied the first rank as a result of Petra residents' feeling of tourism importance in the social field, and the existence of social relations between the tourists and the residents of. A result of this process is the high number of marriages between some members of the local community in the city and some foreign visitors of other nationalities.

Considering Petra as a transit point for tourists who come from the Sinai Peninsula and Eilat to eternal Petra and Wadi Rum, this causes a significant interaction at the level of social relations between the tourists and the members of the local community in the city. The economic field has occupied the second rank since tourism is a major source of income for Jordan, and all experts agreed that tourism is the oil of Jordan, and for the city residents, it is the backbone of the economy, as about 95% city residents depend on the financial returns obtained from tourism. This shows the importance of tourism to bridge the gap between individuals and nations through the direct contact between the tourists and Petra local community members.

The attitudes of the cultural dimension has occupied the third rank among the fields of study, which indicates that this result showed the consensus of some local community members that tourism began to negatively affect the local culture in the city, thus, it began to appear in some social traditions through the imitation of some foreigners' dresses which are not consistent with the pattern of the Jordanian society, in addition to



some abnormal habits in the city of Petra in particular, and the Jordanian society in general.

The political dimension has occupied the last rank to show a high degree of importance of tourism as to bridge the gap between individuals and peoples through direct contact between tourists and local community members in Petra.

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# **BENCHMARKING OF THE SLOVENE AND CROATIAN HOTEL INDUSTRY – APPROACH TO MARKET SEGMENTATION AND EMPLOYEES**

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## **ABSTRACT**

USALI are internationally accepted standards for performance measurement of the hotel industry. These standards are focused mainly on financial indicators. Apart from the financial indicators, hotels have to monitor also non-financial indicators. The paper will present an EU project which is focused on the development of a benchmarking system for the Slovene and Croatian hotels. Despite the fact that statistical data about the number of tourists and overnight stays show a positive trend in both countries, analysis of financial performance too often shows that hotels are not profitable. That is why the necessity of developing a performance measurement system that can be used in local hotels emerged. The paper will present the theoretical background of a developed benchmarking performance measurement system. The paper will be focused on the approach to market segmentation and employees. There will be presented the literature background and inputs/outputs of the developed benchmarking information system.

Key words: benchmarking, comp set, employees, hotel industry, market segmentation

## **I. INTRODUCTION**

Tourism in Slovenia and Croatia has a huge potential, which is also reflected in the increased accommodation facilities in the period from 2007 to 2013, as shown in Table 1. The number of beds in hotels and similar accommodation facilities increased by almost 80% in Croatia in the observed period, while the increase in Slovenia amounts to 54%. Unfortunately, the use of accommodation facilities doesn't follow in the increase in overnight stays, because in Croatia the number of overnight stays in the observed period increased by 47%, while in Slovenia the number of overnight stays in the studied period increased by just under 18%. As a result, the difference in percentage points between the enhanced accommodation facilities and overnight stays in Croatia is 32.54, while in Slovenia this difference is even higher and amounts to 36.45 percentage points.

The number of overnight stays in Slovenia exceed those stated in 2007 only in 2012. Accordingly, both countries recorded poor financial results, despite the absolute increase in the number of overnight stays in the each year.

According to data from the Slovene AJPES (Agency of the Republic of Slovenia for Public Legal Records and Related Services) (2014), in 2013 there were 343 companies operating under SKD I55.1 – Hotels and similar establishments. At the same time in Croatia, there were 903 hotels (Ministry of Tourism Republic of Croatia, 2013b).

The direct and indirect effects of tourism on Slovenian GDP for 2012 are estimated at 12.8%; the expected yearly growth rate of tourism for the period 2013-2023 is on average 3.3%. In 2012, Slovenian tourism directly created 31,500 jobs (3.9% of all jobs) (SURS, 2014). The latest data for Croatian tourism shows in 2013, that the share of employees working in hotels and restaurants in relation to total employees amounted to 4.4% (persons

working in legal entities) and 16.8% (employed in crafts and trades and freelance workers) respectively (Ministry of Tourism Republic of Croatia, 2013a, p.45). In 2013, the share of the tourism industry represented approximately 16% of Croatian GDP (Ministry of Tourism Republic of Croatia, 2013a, p. 47).

Table 1: Tourist accommodation facilities expressed in number of beds and in the number of nights during the period 2007-2013 for Slovenia and Croatia

Category	Country	2007	2009	2011	2013	Index 2013/2007
Accommodation facilities in number of beds	SLO	68,487	85,547	92,948	105,559	154.13
Accommodation facilities in number of beds	CRO	482,231	493,850	437,758	867,110	179.81
Overnight stays	SLO	110,107	78,998	96,150	129,574	117.68
Overnight stays	CRO	369,321	255,231	309,317	543,895	147.27
The difference in percentage points between the increase in capacity and the number of overnight stays in each country	<u>SLO</u>					<u>36.45</u>
	<u>CRO</u>					<u>32.54</u>

Source: Eurostat (2015).

Therefore it is necessary to increase the competitiveness of tourism on a qualitative basis; and because hospitality is a vital part of tourism, benchmarking is an appropriate tool for achieving this goal.

## II. PROJECT IDEA

Our project idea was founded by the Operational programme Slovenia-Croatia 2007-2013. The project is entitled “Benchmarking of the Croatian and Slovenian hotel sector: instrument to increase competitiveness and entrepreneurship development”. The main objective is to create a dynamic cross-border area of cooperation between hotel enterprises aiming to enable comparison of their businesses in order to increase the level of their economic development and tourism entrepreneurship in general. To achieve its purpose, the project aims to:

- Develop a joint methodology of financial and non-financial indicators for performance analysis;
- Enable a benchmarking analysis between comparative hotels;
- Develop software that would enable performance analysis on a daily basis.

There are four partners in the project. The leading partner is the Faculty of Tourism and Hospitality Management from Opatija (Croatia), which has extensive experience with similar projects. The second partner is the Faculty of Tourism Studies from Portorož (Slovenia), which has extensive experience from the field of hotel industry analysis. Finally, the remaining two partners are organisations that have important influence in the field of hospitality tourism in both countries, i.e. the Tourism and Hospitality Chamber of Slovenia and the Association of Employers in Croatian Hospitality (UPUHH). The latter is the leading professional association in the hotel industry, and hospitality in general, in Croatia, focusing on long-term development goals in the hospitality sector. The Chambers from both countries will be actively involved in all phases of the projects.

The leading partner is responsible for the development of financial indicators that are going to be included in the performance measurement system, while the Faculty of Tourism Studies from Slovenia is responsible for developing the methodology of (mainly) non-financial indicators. The leading partner is already conducting a similar project. They have already developed a methodology for monitoring the financial results of Croatian hotels. The methodology and the software were already implemented into practice a few years ago. This project is therefore a unique chance to upgrade the existing methodology.

The development process of the performance measurement system required a theoretical review of the literature and best practices. Based on the literature review, the proposed list of indicators for the performance measurement system was prepared. The list of indicators was presented to the hotels. Project partners organised three workshops in each of the two countries involved in the project. The workshops were organised in different parts of the

countries, since the characteristics of the hotels differ (i.e. hotels near the coast, hotels offering thermal spas, etc.). At the workshops, all the proposed inputs were presented. Based on the comments and suggestions of hotel representatives, the list was upgraded. Indicators that were characterised as less important were excluded. Thus, a list of the most important indicators was prepared. After finishing each workshop, project partners implemented all the modifications. After six workshops (in total), the list of indicators was prepared.

Currently, the information system is almost finished. In March 2015 project partners will organize workshops, where instructions about the use of the system will be given to the hotels taking part of the project.

The paper will now present the software (performance measurement system) that is going to be used by the hotels. The orientation of this paper is on non-financial indicators, especially from the perspective of market segmentation and employees.

## ***2.1 Joint Methodology of financial and non-financial indicators for performance analysis***

### ***2.1.1 Background***

The model of a joint methodology takes into account financial indicators as well as non-financial indicators showing whether the hotel can be expected to be successful in the long term. Classical financial accounts of hotel enterprises principally show the financial position, profit or loss for the financial year, and cash flows. They are traditionally designed for external and internal users and despite the fact that they mainly show past results, they still constitute an essential base for stakeholder decision making. The characteristics of accounting theory in the hotel industry were already specified by American authors and further tested mainly by American, British, Scandinavian, and Australian researchers (Geller, 1984; Brander Brown & Atkinson, 2001, Collier & Gregory, 1995), but still no one has attempted to upgrade the established standards, USALI (System of Accounts for the Lodging Industry) with supplementary non-financial measures and more high-quality measures.

In spite of the fact that the USALI system of performance measurement in the hotel industry based on financial measures adapted to the hotel industry is acknowledged worldwide, it has to be admitted that this information support in today's information age and competitive conditions is inadequate (for more details see for example Geller, 1985a, b, c; Brotherton & Shaw, 1996; Jones, 1995; Croston, 1995; Brander Brown & McDonnell, 1995; Denton & White, 2000; Huckestein & Duboff, 1999; Phillips, 1999).

Due to deficiencies of financial indicators, monetary indicators that can be established on the basis of accounting figures no longer satisfy the information needs of the users. Consequently, it is necessary to design a marketing-oriented accounting in the hotel industry, which should include the study of target groups of guests and strategic management accounting. The role of accounting information in the hotel industry should not only be the gathering of data used for comparison of selected companies and calculating the average in the branch in order to determine whether individual companies are better than the compared companies. The accounting department must rather prepare the data and information in a way that enables the management and other employees to focus on areas that increase the value for hotel guests and consequently the value for the owners (for more details see Ivankovič, 2006).

Even the EU Commission found out that disclosures of non-financial information is vital for managing change towards a sustainable global economy by combining long-term profitability with social justice and environmental protection. In this context, disclosure of non-financial information helps measuring, monitoring, and managing of performance and impact on society.

The Commission shall prepare non-binding guidelines on methodology for reporting non-financial information, including non-financial key performance indicators, with a view to facilitate relevant, useful, and comparable disclosure of non-financial information of companies by 2016 (The European Parliament and the Council, 2014).

## ***2.2 Benchmarking analysis between comparative hotels***

Once a hotels management has a clear understanding of its hotels internal performance measurement, it needs to compare its hotel with those hotels it considers to be its competitors. This group of hotels is referred to as the competitive or comp set (Forgacs, 2010, p. 23).

Our project involves 20 hotels (15 hotels are from Croatia, while 5 hotels are from Slovenia). These hotels will have to choose at least three other hotels (from among those using the software) as their comp set. After selecting the benchmarks, the user of the software will have the chance to compare its own results for a selected indicator to the lowest, highest, and average value of chosen benchmarks. The important feature of the software is that it will perform the comparison and show to the user results only if the user uploads its own data. Unless the hotel uploads its own results, it will not have the chance to see the results of the competitors. The results (outputs of the software) will not be given to the user of the software for indicators where own data is missing. All other indicators will be visible.

The software will be composed of two major parts, i.e. the part that includes financial data and the part that includes mainly non-financial data. The first part of the software includes financial information about hotel operations. Based on the required inputs on a daily level, hotels will have the chance to do a comparative analysis of the following indicators (outputs): rooms' occupancy rate, average room rate, revenue per available room, total revenue per available room, total revenue per overnight stay and structure of revenues. On a monthly level, hotels will have the possibility to receive the following indicators: rooms' occupancy rate, average room rate, revenue per available room, total revenue per available room, total revenue for the segment of lodging, average rate of half board packages, share of direct cost in revenues (separately for each segment), share of selected indirect cost in revenues, share of gross operating profit in revenues and gross operating profit per occupied room. The methodology is based on USALI standards.

On the other hand, the second part of the software includes mainly non-financial information about hotel performance. It is divided into four segments of information: market segmentation, employees, corporate social responsibility and guest satisfaction.

### **III. BENCHMARKING ANALYSIS – MARKET SEGMENTATION AND SEGMENT OF EMPLOYEES**

Since guests are the focus of hotel operations, we will first present the theoretical background used for the development of the performance measurement system in this area. It will be followed by the presentation of approach to employees.

#### ***3.1 Market segmentation - theoretical background***

The hotel industry has realised that the market it serves is not homogeneous. In order to better understand the characteristics of different people, the market can be divided into groups that have common needs and distinct buying habits. Market segmentation is a necessary strategic measure for best results. Major traditional market segmentation variables are geographic, demographic, psychographic, and behavioural traits and price-sensitivity (Forgacs, 2010, p. 69, 70).

Market segmentation is one of the non-cash company data points, which may be useful in the further process of decision making. For the purposes of our work we verify which type of segmentation would be most suitable for the treatment and utilisation of such non-monetary information that could affect the business process or even investment in the company. Most often, the authors summarise the different approaches to segmentation (Tkaczynski et al., 2009):

1 Geographic - Geographic segmentation classifies guest segments, arising from the same country, region or even continent.

2 Demographic - this segmentation takes into account sex, age, and other characteristics of singlehood guests (D'Urso et al., 2013).

3 Psychographic - psychographic segmentation is one of the best approaches for the analysis of market segments. People are classified according to their interests, mainly on the basis of personality that affects a certain behaviour. Our inner self, according to psychographic theory affects the whole process of thinking and decision-making for the purchase of a service (in this case the rooms in the hotel). There should be four main dimensions by which people can be classified into groups according to their common interests. These features are: modernity - tradition and idealism - materialism (Thrane, 1997).

4 Behavioural segmentation is based on certain situations and reactions of consumers shopping in the sales process. People have different patterns of behaviour, so the ones who have travelled together are usually the ones with similar habits (Kahreh et al., 2014).

Another distinction of market segment is determined by type of advertising. It is important to figure out which products increase guest satisfaction and which products are perceived as something necessary by tourists, without additional value (see Fuller & Matzler, 2007). Another question is what is the target segment of guests, because the importance of different products varies from segment to segment. Based on this information the hotelier can develop products, from which they should stand out in the market and justify the price of services, and also their advertising strategy (Fuller & Matzler, 2007).

The most important factor, in segmentation which concerns the product, is considered to be the type of accommodation (see for example Diaz-Perez et al., 2004).

USALI<sup>1</sup> system of performance measurement in the hotel industry based on financial measures adapted to the hotel industry is acknowledged worldwide. Part of USALI – Operating Metrics (USALI, 2014, p. 193) divides the guests into: Transient, Group, Contract, and Complimentary guest. Caution should be used when using operating ratios for comparison across competitive sets or comparable property groups. Several factors influence the relative market position of one property compared to another.

On the other hand, Green & Lomanno (2012, p. 45) note, that the business in most hotels can be segmented into “market segment” representing common customer types typically defined by trip purpose such as individual business, individual leisure, weekend getaway, company meeting, social group, or convention. There are “sources of business” that represent the booker such as a travel agent or company. And then there is the channel:

- Call centre;
- GDS (Global Distribution System);
- Hotels own website or brand.com;
- Online travel agency (OTA);
- Property direct/other.

The top 3 current issues that will have the greatest impact on hotel distribution in the short future are (Green & Lomanno, 2012, p. 120):

- Expanding influence of Google as a company in social search and mobile marketing;
- Role of mobile as means to market and deliver service;
- Complexity of managing distribution both cost effectively (optimum return on investment) and in concert with other demand management activities.

For promotion hotel chains have special programmes in which they give to their members points for using their service in any hotel of their chain. By collecting these points they get various discounts, free nights, double or triple points on certain days, points transfer to airline miles... The purpose of these strategies is to get the tourists to return to their hotels, as their visits reward them. Similar promotional strategies are used also at independent hotels, but they are more likely to use discounts not connected to multiple stays. For example they use special prices as a marketing strategy and they advertise them via brochures that tourists find at tourist information centres. This way they gain a greater mass of one time visitors that fill their capacity (Morello, 2014).

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<sup>1</sup> USALI - Uniform System of Accounts for Lodging Industry (2014) is a standard system of accounting report on the level of a unit – hotel, which was developed under the influence of American international hotel chains. The first edition of the uniform report system was published in 1926.

When considering the indicators that should be included in the benchmarking software, the authors of the software tried to include as many dimensions as possible. However, not all of the indicators that were identified in the literature as important could be included, since this would result in too extensive amount of data that hotels should prepare as input for the software. Based on the theoretical review and discussion with hotel representatives, the following indicators were defined as the most important and as such will be included in the software.

Room occupancy rate by (monthly data):

- Marketing distribution channels (individuals, groups, allotments, others);
- Day of the week (separately for each day of the week);

Indicators about guests by (monthly data):

- Their motive of stay (leisure, business, congress, other);
- Frequency;

Questionnaire for the management about (annual data):

- Importance of different marketing media (for each importance will be expressed in %);
- Usage frequency of different marketing media (in %).

### **3.2 *Employees in the hotel industry***

Jones (1995, pp. 163) has come across a discrepancy between the existing management accounting system and the requirements for information on different levels of accounting, originating from critical factors for achievement. Consequently, it has been drawn out that it is employees who are the most important critical factor for achievement in most accounting systems of the hotel companies under study (Jones, 1995, pp. 163), which is also an assertion already made by Geller (1984).

The importance of human capital for future performance measurement was already pointed out by Kaplan & Norton (1992) with their Balanced Scorecard (BSC), where target priorities were divided into financial and non-financial targets (including fluctuation of employees).

The hotel industry in Slovenia has its unique work environment characteristics. It is denoted by low salaries, restricted opportunities for career progression, disadvantageous work times, discomfort in working conditions, and a high degree of undeclared work. These are the reasons that lead to high labour costs in the tourism industry, poor operational efficiency and, moreover, a high staff turnover (RNUST, 2009).

Employee satisfaction is a central concern in the service industry in general and in hospitality in particular. A number of studies found a positive relationship between employee satisfaction, customer satisfaction, and company performance (Matzler & Renzl, 2007). Employee satisfaction is typically viewed as a multidimensional construct. There exist a number of scales to measure satisfaction in regard to several dimensions. Only satisfied employees can be effective and successful in the performance of their duties (Matzler & Renzl, 2007).

Since studies have demonstrated the link between employee satisfaction and guest satisfaction in the hotel industry, many companies monitor employee satisfaction and implement programmes to enhance satisfaction and loyalty of the employees (Yee et al., 2008). Yee et al. (2008) found that employee satisfaction is significantly related to service quality and to customer satisfaction, while the latter in turn influences firm profitability.

In accordance with accounting standard and USALI standards a set of non-financial indicators and selected financial indicators regarding employees was included into the software. Financially oriented information about employees is the following (inputs will be provided on monthly level):

- Cost of employees per available room (gross salaries / available rooms);
- Cost of employees (including outsourcing) per available room (gross salaries + cost of outsourcing / available rooms);
- Value added per employee (number of employees will be expressed by using effective hours);
- Revenues per employee;
- GOP per employee.

On the annual level, apart from the above mentioned indicators, we will monitor also the following indicators:



- Cost of education per employee; and
- Share of employees that had quit the job.

Annually, employees will also fill out a questionnaire that will measure their satisfaction. An employee's overall satisfaction with the job is a result of a combination of factors. Financial compensation is only one of them. The employee's overall satisfaction depends on working conditions, opportunity for advancement, workload and stress level, financial and non-financial rewards and several others.

The questionnaire was composed using a combination of questions already used by Gu & Siu (2008) and Chi & Gursoy (2009).

The questions are the following:

- How satisfied are they with their job (Chi & Gursoy, 2009);
- How satisfied are they with the salary (Gu & Siu, 2008);
- How satisfied are they with the remuneration system (Gu & Siu, 2008);
- How efficient is the training system (Gu & Siu, 2008);
- How often do they experience stress at their workplace (Gu & Siu, 2008);
- Do they intend to work for the company for a long time (Chi & Gursoy, 2009).

For all the questions, a 5-point Likert scale will be used. The questionnaire will also include some questions about demographic data.

#### IV. CONCLUSION

The hotels included into the project are expected to start using the software in March 2015. The purpose of the presented project is to develop a performance measurement system that will be implemented in selected Slovene and Croatian hotels and will enable management of selected hotels to perform benchmarking analysis in a timely manner. This will enable a prompt comparative analysis with competitors and timely corrective actions when inefficiencies will be discovered. The project will provide a unique possibility to make comparative analyses with similar hotels from a neighbouring country. The developed software will provide selected results of hotels' performance at a daily, monthly, and annual level and will thus provide a basis for benchmarking analysis.

This kind of performance measurement system was necessary since the hotel industry in this region evidences unenviable financial results. Despite the fact that statistical data about tourist arrivals and overnight stays is satisfactory, many hotels in the analysed regions are not successful. The proposed performance measurement system will help them in solving this issue.

After testing the presented methodology in selected hotels taking part in the project, the author will aim to expand the use of the software to other users from both countries as well as hotels from countries that are not included in the project at the moment.

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# THE ROLE OF BRANDING IN DESTINATION MARKETING

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## ABSTRACT

Although the concept of branding has been applied extensively to products and services, tourism destination branding is a relatively recent phenomenon. In the ever more competitive tourism marketplace, destinations are increasingly adopting branding techniques in an effort to craft and differentiate an identity which emphasises the uniqueness of their product. Tourism destinations are difficult to manage because of the complex relationships of their diverse public and private stakeholders. It focuses particularly on the political processes involved in successful brand management and on the vital role of public and private sector stakeholders. This paper briefly discusses the role of branding in destination marketing and evaluates whether destinations can indeed be branded as other goods and services.

**Key Words:** Tourism, Brand, Destination, Marketing, Destination Marketing

## INTRODUCTION

In our age, changes emerging in social, economic and cultural areas, especially in industrialized western countries, have widely increased tourism demand. Parallel to developments, the efforts of countries to attract potential tourists are growing, and a cutthroat competition is observed among countries marketing similar tourism products (İlkin and Dinçer, 1991: 47).

Today competition is experienced not only among products and enterprises but also among countries and destinations. When considered from this respect, destinations expecting to take advantage in the competition need to determine their features that would help them become brands and benefit from these features (Özdemir and Karaca, 2009:114).

It is almost impossible for a country to create a consistent perception as each of the cities constituting that country has different outstanding features. This becomes clear especially in tourism. People do not go to France, Italy and Turkey for holiday. They go to Paris, Venice, Istanbul and Antalya. Here the task that countries must take on is to leave the field clear for branding of cities and to produce correct policies in order to increase the contribution of branding cities to the economy of the country.

## DESTINATION MARKETING

Today the opinion that marketing is an activity just for physical goods has been abandoned and it is accepted that the implementation area of marketing cannot be restricted with physical goods. According to this notion; people need marketing as long as they produce more than their needs. However, there are some differences between the marketing of physical goods and services. On the condition that major approaches remain the same, making decisions on issues such as selling, pricing, distribution, promotion and producing solutions for both goods and services in every field in which marketing is implemented will continue (Timur, 1994: 4).

Tourism marketing is a management process which aims to be more influential in meeting demands of current and potential customers and satisfying tourists better by comparison with rival enterprises and destinations (Fyall and Garrod, 2005: 43). Tourism marketing is “a management philosophy which aims at doing researches, making predictions and choices

concerning the tourism product and making decisions related to these issues by considering the characteristics of the tourism demand to enable the tourism product to get a good position in market in accordance with the objective of a touristic destination (tourism region) or a tourism establishment to gain the highest profit” (Kozak, 2010: 26).

A destination which is put into the service of nonlocal tourists and overnight tourists is an area having different natural beauties, features and attractions. A tourism destination which means a place attracting visitors can be described as a geographic area having various touristic values and features and providing all or some of the touristic products that a tourist may need during his/her travel (Atay, 2003:27).

A touristic facility, a bay, a region, a country, a group of countries, even a continent can be described as a touristic destination. This diversity of the destinations affects those marketing them.

Tourism marketing for cities is an activity causing economic, politic and social changes in a city and it brings developments into the operational environment of cities. While cities rapidly increase their attractions by means of city marketing, they are turning their mobile resources and corporate investments into elements that visitors and residents benefit from. Through this concept and methods, cities may become brands and all products and services produced by that city become more desirable for the target audience (Kavaratzis and Ashworth, 2007: 16).

The objective of destination marketing is described as shaping the tourism demand oriented to a destination; however destinations are in a cutthroat struggle for branding because of international market competition which has been increasing in recent years.

In order to be noticed in the cutthroat competition environment, destinations need to come to the forefront with a remarkable and different image and perform their marketing work within the process of “branding” (Ersun and Arslan, 2009: 100- 101).

## **BRAND CONCEPT AND IMPORTANCE OF BRANDS**

Marketing is the process of meeting human requirements profitably. The unique and most important purpose of this process is to construct a brand in the mind of customers (Ries and Ries, 2000:9).

Today branding phenomenon which is the base of economy has become a necessity for corporations and products to survive. Along with globalization, parallel to rapid progress in technology and communication network, an enterprise somewhere in the world may compete with an enterprise in another location of the world. In this case, brand concept which is identified in the focus of differentiating value gains importance. Brand has been described many times until today. According to the definition stated by American Marketing Association, which underlies this research; “branding is a name, a term, a sign, a symbol, a design or a combination of all that determines and identifies a product or distinguishes it from those produced by competitors (Odabaşı and Oyman, 2002:360), (Kotler, 1997:443).

Kavas, (2004:19) identifies brand as everything offered by firms to consumers or customers and everything showing that it is different from those provided by its competitors, whereas Bozkurt, (2004:48) defines brand as the whole of relationships established with consumers. Real owners of a brand are consumers and only consumers can create brands, accordingly.

Another definition states that a brand is “the whole of tangible or intangible benefits obtained from a product; shortly it is the whole of customer experiences” (Gilmore, 2003: 20).

It looks simple to define the term brand but actually it is quite complicated as it does not consist of only a name and a symbol. A brand consists of different components. These are as follows (Zyman, 2003:64-67);

- A brand is a concept including the whole experiences of a customer related to a product and an enterprise,
- A brand is not only a product or the sense of satisfaction that can be obtained from a product for customers, but it is the sum of their experiences related to the values that the enterprise possesses,
- It is related to the importance given by an enterprise to its customers,
- A brand is the whole of functional and emotional benefits, qualities, experiences of using, icons and symbols,
- A brand is the connection between an enterprise and interests, demands and needs of customers,
- A brand is a tool that makes loyal users of an enterprise come back again,
- It is the way of an enterprise to transfer the meaning of a product.

Because a brand is the product of an enterprise, it has a considerable value in terms of both risk and profit and competitive advantage.

A brand protects an enterprise against imitation, copying, unfair competition and so on. The faults of strong brands in their market are forgiven easily because consumers give a second chance to strong brands. A brand has a more effective power on increase in demand than the name of an enterprise. Consumers become regular customers because a strong brand increases customer loyalty. Market shares of strong brands are greater than weak brands possess.

## **DESTINATION BRANDING**

Although destination branding is a new concept, academicians and researchers agree that destinations can be branded in the same way as costumer goods and services (İlban, 2008: 124). A destination can be branded like any product. A brand stimulates faith, arouses feelings and encourages individuals to move (Kotler and Gertner, 2002: 249).

Destination selection is a significant lifestyle indicator for today's eager consumers. The places that they select to have good time and to spend the money they earn should be a famous city having an emotional attraction (Morgan et al., 2004:4). Destination branding is more complicated and difficult than other products and services because of the reasons given below (Pike, 2005: 258- 259):

- Destinations are more dimensional than consumer goods and other services. For example, a slogan may include all dimensions of a brand as it contains various and optional-type natural resources, culture, activities, facilities and accommodations of a destination: "Kenya- the most beautiful destination of the universe, all in one country"

- The interests of active stakeholders in various groups in market are heterogeneous. It is necessary to reach the large masses by proportions in markets.

- It is important who decides on the main theme and how he/she identifies it. A producing company has a voice for a product or service in this respect, whereas it is not possible for a simple person or group to have a voice in building a destination brand and determining which aspect of a destination would be featured.

- There must be a balance between the brand theory and the consensus of a society because it is unlikely that an approach which looks down on the implementations of a destination brand would be successful.

- Brand loyalty is one of the cornerstones of consumer-based equity model. However, it is hard to determine the loyalty to a destination brand. Destination marketing organizations can evaluate brand loyalty by measuring repeat visits.

- Fund is a significant problem for destination marketing organizations. The largest marketing budget may fall behind the budget of a big company.

A destination brand is an experimental concept which sticks in minds as an image that occurs as a result of a comprehensive brand strategy and includes all experiences of destination visitors concerning the destination and emerges in consequence of the reflection of demands and requirements of the target audience and experiences that they have there. A destination brand is a symbolic structure consisting of recollective memories specific to the destination, features making a destination attractive and a connotation of qualified aspects (Ünal, 2001:27).

Destination branding whose focus is on developing a brand identity is the process of bringing additional attractions to the related destination. Today, the competition among destinations has come to a state having global quality. Regardless of where they are, all destinations must develop new initiatives in order to survive in this competition. Many destinations want to develop new images about themselves, especially in order to change negative images that they have (Rainisto, 2003:12).

Destinations prefer branding with various purposes. Visitors whose purpose is tourism, business-world-oriented investors select branding for purposes such as qualified labor force, being a destination preferred for education and they use different branding strategies in the direction of chosen purpose (Kavaratsiz, 2005:330).

Like branding of a product, branding of destinations is a name, a logo, a slogan, a symbol or a combination of all that describes the product and differentiates it from other products (Ersun and Arslan, 2009: 101).

Certain principles must be available in order to construct a strong destination brand. These include a slogan, a symbol, a jingle, infrastructure and superstructure works, quality, management units, organizational culture, trust, transportation, alternative tourism, a brand identity, protection of natural environment and attitudes and behaviors of local people. For many destinations, slogan is important in the positioning strategy of a destination. Cities are increasingly getting substitutable aspects and therefore it is getting harder to distinguish. A slogan, on the other hand, establishes a connection between the brand identity and the real brand image in market. In other words, a slogan distinguishes time and destinations meaningfully. A destination can be made different through physical qualities that it has such as superstructure investments, architecture. However, they cannot motivate a customer every time and in a sufficient way because these qualifications can be imitated easily. Destination branding is considered to be the best marketing weapon of contemporary marketers taking a stand in the global competition (Yavuz, 2007: 46).

## **RESULT**

Cities in our age which plan to get high benefits from tourism have begun to pay more attention to issue of branding. When positive effects of tourism sector on many areas are taken into consideration, it is seen that this situation also causes an increasing competition environment. Thus, destination marketers treat with greater care while marketing a country, a region or a territory where they exist and in addition to customer satisfaction, they try to build a brand and a brand value in order to be permanent. The use of creating a brand as an important competition tool is increasing its importance in the changing tourism marketing structure in the sector of tourism. Particularly, the idea of marketing a country as a single destination and as a single product has been abandoned, regional and urban touristic promotion and marketing is becoming widespread increasingly by bringing touristic product identities of various regions of countries and certain territories of regions into the forefront.

The activities(festivals, sports events, etc.) organized in cities and symbols specific to cities (The Eiffel Tower, The Statue of Liberty, Big Ben, etc.) have great effects on the process of becoming a brand city of important brand cities such as Paris, Rome, New York, Amsterdam,

Barcelona, London which are prominent cities in the world tourism market. Thus, becoming a brand, building a brand value and developing an identity mean being one step ahead in the competition for each touristic product. As a touristic product, becoming a brand and creating a brand value in order to make consumers accept the identity and the appearance of a destination is very important for destinations to acquire competitiveness. For this reason, brand value of a destination is the most crucial point for marketing success of a destination.

World market has fallen under the great influence of globalization in our age. Accordingly, destination branding is becoming necessary as a result of technological developments of the 21st century and the increase in the mobility of human resources. The benefit of brand composition for destinations is drawing attention of people by making difference and strengthening its position in competition environment.

To be effective on purchasing decisions of customers, it is necessary to access market with differentiated products meeting demands of the target audience, that is, with brands. Becoming a brand in the sector of tourism means increase in incomes, profits and it is important for both individuals and corporations and states. More tourists visit a country, a region, a city and an enterprise which has managed to be a brand.

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# **FINANCIAL SERVICES INDUSTRY AND THE ROLE OF PRACTITIONERS- INTERNET AS AN EFFECTIVE TOOL OF IMPROVING PERFORMANCE.**

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## **ABSTRACT**

Nowadays, financial market constitutes a critical element of any nation economic development that cannot just be ignored as it serves as the bedrock of any financial and economic development plan. This is because financial service providers serve as the commercial hub for investors and savers. While investors borrow from the financial service markets the savers keep their monies with them. In terms of service classification, financial services are heavily informational and in principles are easily digitalized. Meanwhile, the advent of information technology has greatly reduced the number of people working in the financial service industry especially when there is greater desire to maximize profit at a minimal cost. Now, most of the functions of the financial service market are done electronically requiring only the services and attention of a few experts to manage the operation. In the quest for better life and ways of handling human affairs, scientists and financial service experts have developed various mechanisms to simplify human work for efficiency and effectiveness. Part of these efforts was the discovery of internet which allows an institution or organization to provide information relevant to its business, goals, objectives and missions on its website or other web domains for users, customers, staff and other stakeholders to access either for personal consumption or for other purposes. The discovery of the internet has been a relief to the financial service practitioners as a lot of hitherto manual works have been replaced with computerised work which even is even simpler, better, safer, faster and concurrently available to many customers at a time anywhere in the world. The finance practitioners have the course to now carry out their activities with customers and other institutions without necessary having direct interaction with them but only via internet and only engages in contact with such people where it is extremely necessary to have such a physical contact. Therefore, the paper examines how internet has been of help to financial service practitioners and the finance industry in keeping up their duties with technologies, market their products and services and overcome the ever-growing competition as well as proffer solutions on latest ways of curbing internet fraud in the financial service industry.

Key words : Finance, information technology, practitioner

## **INTRODUCTION**

The emergence of a global and market-based financial economy has brought considerable benefits to those middle-income countries at the forefront of economic reform and liberalization—the so-called emerging market economies. Thanks largely to the opening of the financial sector in these countries; investors worldwide can now better diversify their investment choices across domestic and international assets, increasing their expected rate of return. Businesses within these countries are better able to finance promising ideas and fund their expansion plans. As a result, financial resources worldwide are invested more efficiently, boosting economic growth and living standards. At the same time, however, the globalization of

financial markets has proved to be a double-edged sword. Even in those countries where liberalization has been a tonic for economic growth, it has also raised the real risk of financial crisis. The most controversial aspects of financial liberalization are capital account liberalization and, within the capital account, the liberalization of portfolio flows. The dangers were brought into sharp focus during the East Asian financial crisis of the late 1990s: the failure of financial systems in that episode imposed high economic and social costs, such as high unemployment, increased migration, social conflict, and social instability—and not only in the countries directly affected. In the wake of this and other crises, we have seen an urgent debate about reform of the international financial architecture to reduce the chance of further financial instability in the global market which has been largely facilitated by the sophisticated internet facilities (Stijn&Subir,2006).

It is in the light of this that the paper seeks to examine financial service marketing and the roles of practitioners in the new competitive market so as to highlight major features that distinguish the sector as unique to achieve better economic results.

## LITERATURE REVIEW

In the meantime, **finance industry** represents intermediaries and industries that mobilize savings and facilitate the allocation of funds in an efficient manner. Financial institutions can be classified as banking and non-banking financial institutions. Banking institutions are creators and purveyors of credit while non-banking financial institutions are purveyors of credit. While the liabilities of banks are part of the money supply, this may not be true of non-banking financial institutions. In Nigeria, non-banking financial institutions, namely; the developmental financial institutions (DFIs), and non-banking financial companies (NBFCs) as well as housing finance companies (HFCs) are the major institutional purveyors of credit (Afuape, 2003).

In the post-reforms era, the role and nature of activity of these financial institutions have undergone a tremendous change especially with internet intervention. Banks have now undertaken non-bank activities and financial institutions have taken up banking functions. Most of the financial institutions now resort to financial markets for raising funds.

On the other hand, **financial services** are the economic services provided by the finance industry, which encompasses a broad range of organizations that manage money, including credit unions, banks, credit card companies, insurance companies, accountancy companies, consumer finance companies, stock brokerages, investment funds and some government sponsored enterprises. Meanwhile, financial services can only be obtained in financial market. So, a **financial market** is a market in which people and entities can trade financial securities, commodities, and other fungible items of value at low transaction costs and at prices that reflect supply and demand. Securities include stocks and bonds, and commodities include precious metals or agricultural goods. A **financial practitioner** is a professional who renders financial services to clients, people and organizations. So, Van Horne (2002) opines that the modern-day financial manager is instrumental to a company's success. As cash flows pulsate through the organization, this individual is at the heart of what is happening. If finance is to play a general management role in the organization, the financial manager must be a team player who is constructively involved in operations, marketing, and the company's overall strategy.

There are both general markets (where many commodities are traded) and specialized markets (where only one commodity is traded). Markets work by placing many interested buyers and sellers, including households, firms, and government agencies, in one "place", thus making it easier for them to find each other. An economy which relies primarily on interactions between buyers and sellers to allocate resources is known as a market economy in contrast either to a command economy or to a non-market economy such as a gift economy.

**The Financial Services Industry:** The financial services industry includes firms that are engaged in activities such as investing, lending, insurance, securities trading and securities issuance (Kolakowski, 2014). This is not an exhaustive list, but these companies can be characterized as being in one or more of the following lines of business:

- Banking
- Insurance
- Securities Brokerage (or Financial Advisory Services)
- Investment Banking
- Securities Trading
- Investment Management (or Money Management)
- Securities Analysis
- Financial Planning

## 2.1 Constituents of Financial Service Industry

### 2.1.1 Based on market levels

- **Primary market:** Primary market is a market for new issues or new financial claims. Hence it's also called new issue market. The primary market deals with those securities which are issued to the public for the first time.
- **Secondary market:** It's a market for secondary sale of securities. In other words, securities which have already passed through the new issue market are traded in this market. Generally, such securities are quoted in the stock exchange and it provides a continuous and regular market for buying and selling of securities.

### 2.1.2 Based on security types

- **Money market:** Money market is a market for dealing with financial assets and securities which have a maturity period of up to one year. In other words, it's a market for purely short term funds.
- **Capital market:** A capital market is a market for financial assets which have a long or indefinite maturity. Generally it deals with long term securities which have a maturity period of above one year. Capital market may be further divided into: (a) industrial securities market (b) Govt. securities market and (c) long term loans market.
  - **Equity markets:** A market where ownership of securities are issued and subscribed is known as equity market. An example of a secondary equity market for shares is the Bombay stock exchange.

- **Debt market:** The market where funds are borrowed and lent is known as debt market. Arrangements are made in such a way that the borrowers agree to pay the lender the original amount of the loan plus some specified amount of interest.
- **Derivative markets:**
- **Financial service market:** A market that comprises participants such as commercial banks that provide various financial services like ATM. Credit cards. Credit rating, stock broking etc. is known as financial service market. Individuals and firms use financial services markets, to purchase services that enhance the working of debt and equity markets.
- **Depository markets:** A depository market consist of depository institutions that accept deposit from individuals and firms and uses these funds to participate in the debt market, by giving loans or purchasing other debt instruments such as treasure bills.
- **Non-Depository market:** Non-depository market carry out various functions in financial markets ranging from financial intermediary to selling, insurance etc. The various constituency in non-depository markets are mutual funds, insurance companies, pension funds, brokerage firms etc (Wikipedia,2014).

## 2.2 Roles of Financial system on the economy

One of the important requisite for the accelerated development of an economy is the existence of a dynamic financial market. A financial market helps the economy in the following manner.

- **Saving mobilization:** Obtaining funds from the savers or surplus units such as household individuals, business firms, public sector units, central government, state governments etc. is an important role played by financial markets.
- **Investment:** Financial markets play a crucial role in arranging to invest funds thus collected in those units which are in need of the same.
- **National Growth:** An important role played by financial market is that, they contributed to a nation's growth by ensuring unfettered flow of surplus funds to deficit units. Flow of funds for productive purposes is also made possible.
- **Entrepreneurship growth:** Financial market contributes to the development of the entrepreneurial class by making available the necessary financial resources.
- **Industrial development:** The different components of financial markets help an accelerated growth of industrial and economic development of a country, thus contributing to raising the standard of living and the society of well-being.

## 2.3 Financial Service Functions of Finance Practitioner

- Providing the borrower with funds so as to enable them to carry out their investment plans.
- Providing the lenders with earning assets so as to enable them to earn wealth by deploying the assets in production debentures.
- Providing liquidity in the market so as to facilitate trading of funds.
- it provides liquidity to commercial bank

- it facilitate credit creation
- it promotes savings
- it promotes investment
- it facilitates balance economic growth
- it improves trading floors

## **METHODOLOGY**

### **3.0 Realities of Significance of Finance Practitioners in Marketing Financial Services in Globalized Economies**

As if the financial services industry hasn't been beat up enough over the past few years, it's also gotten something of a bad rap for its lackluster content marketing. Let's face it, while investment banks, asset managers, and other financial service providers are ahead of the curve in some ways, when it comes to content marketing, that's rarely the case. Not only is the industry dealing with such heady topics as derivatives clearing and credit default swaps, it's also hemmed in by an overwhelming array of complex and continuously evolving regulations. As a result of these and other factors, financial service providers often fail to build and execute dynamic content marketing programmes. Instead, they frequently rely on tried-and-true, but far less creative, tactics (Kevin, 2013).

According to Van Vlerk (2013), some industries are notoriously slow to catch on to new technologies for a variety of reasons. In the financial services sector, marketers have long been stymied by concerns about security and reputation on public pages, poorly-executed strategies and missed opportunities. That's changing fast in the relationship era of telemarketing. Overall, the banking industry's presence on social networks rose 31 percent in 2012 from the prior year, according to a recent Marketing blog post (William, 2013).

The industry's social media play — part of broader strategy aimed at engaging customers — is fundamentally reshaping the way financial services companies market themselves, and how effectively they do it. A 170-page report from the McKinsey Global Institute, "The Social Economy: Unlocking and Productivity Through Social Technologies" found that social technology does not only boost productivity in marketing departments, but also adds 5.2 percent to companies' top-line revenues. That makes social technology one of the biggest-drivers of value generation in marketing departments today.

The McKinsey report details other ways in which social media is reinventing sales and marketing for financial services practitioners thus:

#### **1. Tapping into customer data**

Many cost-saving strategies employed by financial firms, such as mass direct-mailings, studies show, can actually have a positive impact on marketing effectiveness as a whole. McKinsey says that, by using social media-generated data instead, banks can move away from mass-marketing and target consumers based on their specific needs. Financial firms can leverage social technologies to target consumers based on the major life events — like marriage, the birth of a

child, the purchase of a car, the start of new job — that many consumers broadcast to their networks (William, 2013).

## **2. Increasing customer loyalty**

Research shows that customers who interact with companies on Twitter and other social media which originated from internet are likely to buy up to 40 percent more products and services from those companies. While financial companies have been slow to adopt social media, consumer acceptance of connecting with their banks over social media has increased over the years. In 2012, a survey done on 400 facebook users showed that 24 percent were willing to connect with their banks on a social platform, nearly twice the number in 2008 (William, 2013).

## **3. Lowering customer acquisition costs**

Customer acquisition is a huge cost for financial institutions, according to the McKinsey report. On average, banks and other financial companies spend between \$70 and \$300 to acquire each new customer. However, McKinsey's research shows that across banking and insurance, social technologies can actually reduce the cost of customer acquisition by as much as 30 percent (William, 2013).

### **The Real impact of Technology on Financial Services**

As a key element of this vision, information technology no longer occupies its traditional place in the organization as a support function. Instead, it becomes a business function true to its essential mission: managing data as a genuine asset. Going forward, data will not simply represent inventory to passively store or warehouse, but rather dynamically interconnected information to correlate, integrate and use holistically. Indeed, the internet warehouse becomes the nerve center that adds value to stored legacy information, turning it into an actionable commodity.

In fact, at every step, information will acquire value just like any asset in a portfolio. A primary purpose of technology will become implementing strategies for enriching data to achieve larger business objectives across all functions throughout the globe. Such strategies will allow for enhanced reporting and analytical capabilities, including, for example, the use of data to test risk and investment assumptions, and to explore predictive scenarios built around various decision paths. Indeed, data management in the future will comprise only one element in an integrated series of operations that begin with transactional processing and includes work flow technology (to enable business automation), exceptions monitoring, data management and end-use data-rich dashboards which a sound financial service practitioner should know (William, 2013).

Since the advent of the earliest adding machines and mainframe computers, technology, and the innovations have helped to bring about an increasingly important role in the evolution of the financial services industry. Traditionally, the pace and impact of these technological advances has been gauged using easily quantifiable metrics such as storage capacity and processing speed. Today, however, when it comes to the application and potential of technology in the financial services industry, we're witnessing the emergence of a number of new and rapidly accelerating trends that promise to usher in an entirely new paradigm — one in which Information Technology (IT) is not simply an “add-on” at the periphery of the business function, but rather deeply embedded at its very core.

In response to clients' demands for more and faster information, greater transparency and improved risk management, finance service providers are applying the vast computing power at their disposal toward an increasingly complex, sophisticated and integrated array of tasks. And the models they're considering are being built by an entirely new breed of financial practitioner — one who possesses a keen understanding not only of critical business processes, but also of the technology that drives them. The reason for this significant shift in perception is that new technological innovations are empowering us to slice, dice, process, manage and correlate data in ways that give it exponentially greater value in the eyes of our clients, allowing them to make more informed investment decisions than ever before.

Looking ahead, continuing advances in technology will allow the financial services industry to deploy increasingly sophisticated, forward-looking analytics to help clients make more informed investing decisions. Even at their most detailed, the financial reports of today can only provide the industry with a glimpse in the rearview mirror. The financial reports of tomorrow, however, promise to help the industry better understand the actual precursors of performance. In the not-too-distant future, rather than simply providing clients with a simple description of their risk position, we will be able to provide them with detailed insights into the actual factors contributing to those risk positions. The implications of this shift cannot be overemphasized, as they will have reverberating effects on the habits, business processes and decision-making processes of institutional investors around the globe (William, 2013).

### **Growth of Electronic Trading**

Upgrades in exchange technology, combined with the rising use of algorithmic trading, including high frequency trading methods, have contributed to a significant increase in the percentage of trades that are placed electronically rather than verbally.

### **About Algorithmic Trading**

Algorithmic trading involves the direct interface of computers with trading platforms to place orders. Using an algorithm, a computer analyzes market data and sends trading instructions to the exchange or platform without the need for human intervention. Because the computer can process information quickly, trades are placed rapidly. By contrast, high-frequency trades are a subset of algorithmic trading whose models profit by taking advantage of small incremental changes in the market. In doing so, they trade frequently, perhaps several times a second.

Computer algorithms, or formulas, are based on investors' proprietary requirements. Computers can process large amounts of information very quickly, analyze data patterns and place trades at high frequency with the help of finance practitioners. For example, an algorithm may seek arbitrage opportunities, looking for small differences in price or price movements.

Algorithms can be as different as the investors that generate them, and go beyond just placing a trade. While some institutions use them to gradually accumulate or dispose of a position in a single security, others are designed to determine everything from the timing of a trade to the price paid, the quantity and the way an order is routed. Some "smart order routers" will even select the best place to send the order (Lewis, 2011).

## **CONCLUSION AND RECOMMENDATIONS**

Technology solutions have always represented a work in progress, as learning curves are mastered, new assumptions are tested and old ones discarded. Current trends in the industry are rapidly shifting views about what is feasible. At the same time, they are the product of insights gleaned from lessons learned. Most market observers agree that in an era of uncertain

macroeconomic fundamentals and continuing investor uncertainty, non-normal return distributions will remain a fact of life. Investor crowding, asymmetric demand for equity options and other behaviour-based factors will continue to impact portfolios. The art and science of asset allocation will likely continue their evolution, moving whole portfolio optimization to the center of asset management. Ironically, this is due in some measure to globally-deployed IT systems and infrastructure that integrate markets and transmit trading information of ever-greater granularity in near real time (Donohue & Hooker, 2011).

As the global pool of investments under management continues to expand, and as the proportion of these assets that move across borders increases, finance service experts and managers must cast an ever wider net, incorporating into their strategies more markets, financial service classes and securities types. Financial service experts and managers have little choice but to continue investing in IT systems and raw computational power for building intelligent, networked models that seek to map risk and dynamically evolve both in service to alpha acquisition and to enhance risk management of finance market products.

But technology alone cannot resolve critical finance investment challenges. A state-of-the-art operating room and arrays of diagnostic technology, by themselves, do not necessarily foretell a successful procedure any more than super computers, databases and networked workstations alone can manage a globally allocated investment portfolio. The human factor — experienced financial practitioners, expert in both the theory and application of financial practice — is an important determinant of successful financial outcomes that should be considered. In the complex partnership between expertise and technology, the arms race of ever-more powerful systems engaging ever larger and more complex markets shows few signs of abating. The role of technology and innovation in the financial services industry is evolving more quickly, and with greater potential impact, than ever before. For service providers and the clients they serve. The potential benefits are numerous, and include the promises of more informed, holistic decision-making, more powerful predictive capabilities and enhanced risk and compliance frameworks in which to operate.

As our industry continues to embrace and incorporate these amazing technological advances, we are able to extract more intelligence and potential value from raw data today than ever before. This trend is certain to continue going forward. And, in addition to helping market participants to grow their respective businesses and portfolios, this evolution of technology in the financial services industry will help lead to increased transparency and openness, protecting the best interests of the respective market players, their clients and the economies from which they operate.

Going forward, industry participants will need to respond to the numerous challenges presented by the rapidly changing regulatory environment we have witnessed since the global financial crisis. The regulatory landscape continues to evolve and the number of parties interacting with one another continues to increase. All the while, providers are expected to react more quickly, continue to create new functions and features, and seamlessly integrate those new features with the rest of their service offerings.

To ensure ongoing compliance with this new and constantly evolving set of rules, providers will need to be able to quickly and efficiently retrofit their technology platforms to suit these newly introduced regulatory conventions. Coping with the challenges associated with a regulatory landscape in a state of constant flux will be a key challenge facing the financial services industry going forward, but it, too, is a challenge that can be overcome through the strategic application of technology by finance service marketing practitioners. In order to meet the challenges of the



globalized marketing trends of financial services, practitioners should be able to acquire relevant skills in finance, marketing and technology management that would make them compete favourably with others in the global market.

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