

## WP 5.1

### ACT. 5.1: Setting up of Tourism Supply Chain

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#### D. 5.1.1: Cross Border Guide Lines to set up Local Tourism Supply Chain based on the Sharing Economy Platforms

### Definition & Guidelines



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## 1)WHAT IS A SUPPLY CHAIN?

From a macro perspective, a supply chain is a **network of enterprises** which are **engaged in different functions** ranging from the supply of the raw materials through the production and delivery of the end-product to the target customers as showed in Fig. 1. From a micro perspective of a firm, a supply chain is a network of nodes which perform functions such as procurement of raw materials, fabrication of parts, assembly of components and subassemblies, final assembly of end products, and delivery of finished products to regional distribution centers/customers.

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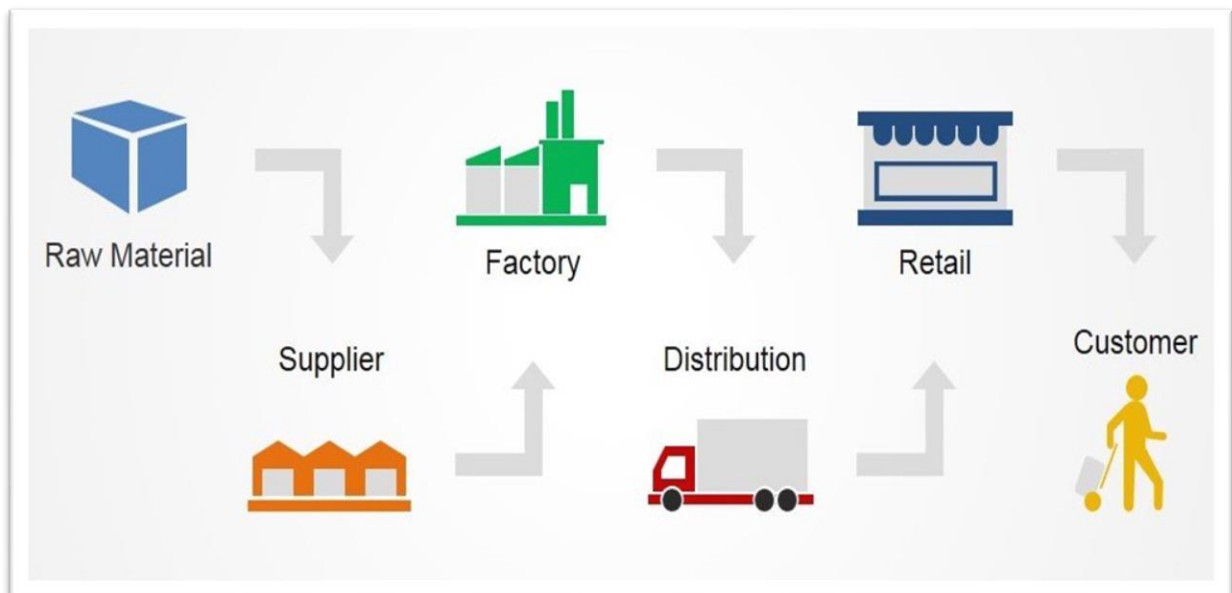


Figure 1 Supply Chain

## 2)WHAT IS A TOURISM SUPPLY CHAIN?

1. The tourism supply chain comprises the **suppliers of all the goods and services that go into the delivery of tourism products to consumers**. It includes all suppliers of goods and services whether or not they are directly contracted by tour operators or by their agents (including ground handlers) or suppliers (including accommodation providers). Tourism supply chains involve many components as shown in Fig.2 - not just accommodation, transport and excursions, but also bars

and restaurants, handicrafts, food production, waste disposal, and the infrastructure that supports tourism in destinations.<sup>1</sup>

2. Tourism supply chain is the network of tourism organizations that provide various partial products and tourist services used to create and later to distribute tourism products in tourism destinations. The following chain covers a wide range of participants, both from private and public sectors.<sup>2</sup>



Figure 2 Main elements of TSC

Many entities, which comprise different links of a supply chain, participate in the process of creating and distributing tourism product. The links and the relations between them are presented in Figure 3.

The suppliers can be 1° tier suppliers and 2° tier suppliers. The 1° tier suppliers include accommodation, transportation, excursion, shopping, and dining. The 2° tier suppliers consist of

<sup>1</sup> R. Tapper and X. Font, "Tourism Supply Chains. Report of a Desk Research Project for the Travel Foundation.," *Tourism Supply Chains. Report of a Desk Research Project for the Travel Foundation.*, 2004, <https://www.cabdirect.org/cabdirect/abstract/20043111886>.

<sup>2</sup> Xinyan Zhang, Haiyan Song, and George Q. Huang, "Tourism Supply Chain Management: A New Research Agenda," *Tourism Management* 30, no. 3 (June 1, 2009): 345–58, <https://doi.org/10.1016/j.tourman.2008.12.010>.

those firms that supply products and services to the 1° tier suppliers such as craft producers, water/energy suppliers, and food/drink manufacturers. The 1° and 2° tier suppliers support the information flow to the intermediaries such as tour operator and travel agent to produce the tourism package. These suppliers cooperate and collaborate in a network inside the TSC to prepare the tourism package to tourists as the target market.

1° Tier suppliers provide services directly for tourists' benefit, e.g., accommodation and food facilities, carriers, administrators of local tourist attractions, tour guides. They are located in the destination to which tourists travel. The third group is formed by agents – organizers and local distributors, from whom tourists can buy e.g., a trip to local tourists' attractions, already during their stay. These entities provide services for both tourists and tour operators.

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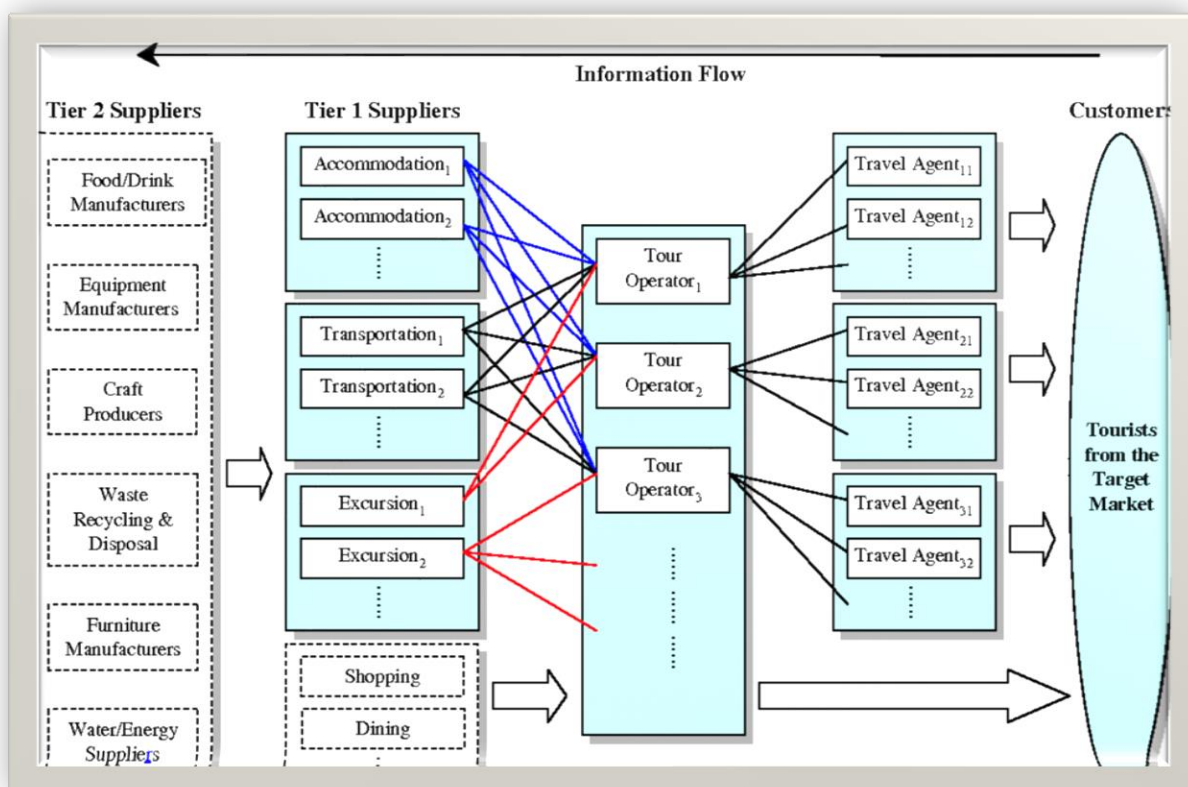


Figure 3 Relations among entities of TSC

They purchase goods and services from the suppliers of 1° tier and receiving agencies, thereafter they form a complex tourism product, which is sold to customers in their own outlets, through available distribution channels or making use of sending agencies. Sending agencies, placed on the next level of supply chain, act as agents-sellers. They are agents between tour operators and tourists and operate in the place of residence of the latter ones.

The downstream end includes tourists from the target market. Travel agents are the retail branches of tourism products dealing with tourists and tour operators. Travel agents and tour operators can be the same or separate business entities.

In addition to the identification of the TSC members, other issues such as what are the power relationships and the business links among them should also be considered when analyzing the TSC structure.

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### 3)WHAT IS A TOURISM VALUE CHAIN?

Value chain is also concerned with the flow of goods to consumers but takes a different approach. You might say it's the complementary view of the process. The difference between the two is that in supply chain, the flow is down – from the source to the consumer. **In value chain management, the flow is up – from the consumer to the source.** In value chain, the consumer is seen as the source of value. Consumers create value for

Note: Whereas the term 'Tourism chain' describes the linear process of creating a product or service, 'value chain' applies to a complex system with cross-links between actors at various levels of the value chain.

## Value Chain Analysis



Figure 4 Porter Value Chain

manufacturers when they demand products. The focus is not on the process and cost of goods, as in supply chain management, but in creating value in the consumer's eyes.

To properly manage the value chain, companies often split operations into primary activities, such as logistics and production, and support activities, such as human resources, marketing and information technology as shown in Fig. 4. Creating a profitable value chain requires a connection between what customers value, or want, and what the company produces. Value creation processes are usually complex and are shaped by a variety of processes, actors and interests. Actors may include both companies and public or civil society organizations that play key roles within the system. The tourism value chain concentrates on meeting and (hopefully) exceeding visitor expectations of the quality of a destination. This involves everything from the original marketing of the destination right up to final departure from the destination. Though several of the elements of the value chain are provided by the private sector, there are also several elements that are the responsibility of government – including national, provincial and local government

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#### 4) WHY IS TSC IMPORTANT?

The Tourism Supply chain helps structure the key value adding processes and starts with the **identification of the relevant actors and the services within the process**. In order to shape and promote a tourism destination, the various characteristics of the tourism product must be taken into consideration.

The tourism product contains a large number of components and part-services that are provided or shaped by many different actors. The most important basis for the provision of tourism services, and thus for adding value, is the original offer of a destination. This includes the natural and socio-cultural resources and the basic infrastructure, such as the energy supply. These form the basis for the offer specially designed for tourists, e.g., the hospitality industry, guest information, transport systems for tourists, hiking trails or events.

After the identification of the core elements necessary to sustain and create tourism products, it is necessary to take into consideration the following key elements of a successful TSC and that can contribute to transform a supply chain in a value chain.

##### **Demand Management**

Demand management is a vital part of TSC and it is considered as “the amount of any product or service that people are willing and able to buy at each specific price in a set of possible prices during some specified period of time”. Generally speaking, **demand management includes demand forecasting, marketing, and sales planning based on the projected demand and service/production capacity.**

##### **Two-party relationships**

The term “supply chain” implies two-party relationships in which **all tourism organizations have relationships with other entities such as suppliers, distributors, competitors, partners, governments, and other firms carrying out complementary activities, to better accomplish their operations and fulfil**

**customer needs.** Relationships in a supply chain are categorized into two groups according to their direction – vertical relationships and horizontal relationships. Vertical relationships exist among heterogeneous players who do not have overlap capability. An example is a travel agency’s relationship with its suppliers. In contrast, horizontal relationships concern homogeneous players in the same echelon of the supply chain who usually have overlapping capabilities.

### **Supply management**

Supply management emphasizes the buyer-supplier relationship in a supply chain. Topics of supply management include long-term relations, supplier selection, supplier base reduction and supplier involvement. Three broad categories TSC: (1) the relationships between suppliers (hotels, resorts, attractions) and travel agencies/tour operators, (2) the relationships between wholesale and retail travel agencies and (3) supplier selection problems.

### **Product development**

TSC aims to satisfy customer needs at the right time with the right products. Therefore, product development plays a critical role in the supply chain. Product development, however, is not an easy task. It is a complex process that requires joint efforts from different players within the supply chain. It also requires a good understanding of customer needs, and involves a careful analysis of product components and elements to identify potential products that suit continuously changing consumer tastes.

### **TSC coordination**

Tourism is a coordination-intensive industry in which different service products (transportation, accommodation, excursions, and so on) are bundled together to form a final tourism product. Coordination is a pattern of decision making and communication among a set of interrelated players who perform tasks to achieve goals such as maximizing their utilities or the overall profit of the supply chain<sup>3</sup>. It requires that each actor within a supply chain perform its task by considering the impact of its actions on the other players.

### **Information technology**

The salient feature of tourism products is that they usually cannot be examined prior to purchase. Tourists have to travel to the destinations where the tourism products are produced, which means tourist purchase decisions depend upon the presentation and interpretation of these products. Thus, information is “the life-blood of the travel industry” (Sheldon, 1994), which holds together activities within the tourism supply chain in terms of both inter-firm links and tourism product distributions. The energetic growth and development of tourism industry is perhaps only mirrored by the growth of ICTs. The accelerating and synergistic interaction between technology and tourism in recent times has brought fundamental changes on the industry and on our perceptions of its nature. The significance of crossing the new information threshold of universal, ubiquitous communications access have brought the entire tourism industry to the

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<sup>3</sup> Thomas W. Malone, “Modeling Coordination in Organizations and Markets,” *Management Science* 33, no. 10 (1987): 1317–32.



new levels of interactivity, propelling management by wire. Increasingly, ICTs play a critical role for the competitiveness of tourism organizations and destinations as well as for the entire industry as a whole

## 5) OBJECTIVES OF TSCM

Tourist Satisfaction, Tourism Sustainability, Monetary Value, and Inventory Reduction are among the main objectives of TSC. The ultimate goal of a TSC is tourist satisfaction, or more generally, customer satisfaction. Tourist satisfaction is the degree to which tourists are satisfied with the tourism products and services received.

Some other examples of objectives of TSC which can increase value-adding tourism development are the following:

- **Increasing economic value added**
  - ✓ Increasing tourism sales/turnover from tourism
  - ✓ Increasing the number of overnight stays
  - ✓ Extending the length of stay
  - ✓ Increasing the number of tourism start-ups
  - ✓ Integrating local and regional companies into the tourism value chain
  - ✓ Integrating regional companies into supply chains
- **Improving the socio-cultural impacts of tourism**
  - ✓ Balanced relationship between tourists and the local population
  - ✓ Increasing tax revenue from tourism
  - ✓ Increasing the number of jobs
  - ✓ Increasing the average wage level
  - ✓ Enhancing the local population's life satisfaction
- **Improving product quality**
  - ✓ Increasing the number of companies with quality certification
  - ✓ Increasing the willingness-to-pay for tourism products
  - ✓ Increasing satisfaction
- **Optimizing communication and marketing**
  - ✓ Increasing awareness of the destination
  - ✓ Increasing the number of followers on social platforms
  - ✓ Increasing the number of users of digital offerings (e.g., apps)
- **Optimizing cooperation and processes**
  - ✓ Coordinated opening hours
  - ✓ Mutual recommendation
  - ✓ Raising the population's awareness for tourism

## 6) CREATION OF THE TOURISM SUPPLY CHAIN OF EXCOVER DESTINATIONS – STEP BY STEP

### 6.1 OVERVIEW

Tourism Supply chain mapping is an exercise to collect information on suppliers and sub-suppliers. This process aims to increase traceability and transparency of the entire Tourism Supply Chain. A supply chain can be considered a network of people interacting through the movement of a product or specific services from supplier to customer. **Supply chain mapping is not only about collecting the names and addresses of all units and locations involved in the production of a certain product, but it is a first step for having a better understanding of all services existing in the destination and will help to define the Tourism Value Chain.**

### 6.2 STEP 1 – HOW TO COLLECT DATA

The Mapping of Tourism Supply Chain for EXCOVER Destination will be organized through **Excel spreadsheet where each partner will insert quantitative information** of most relevant suppliers in order to have a global view on structures, services and facilities to be offered to tourists and visitors in your destination.

The spreadsheet will collect data on primary services and support services and will permit to have an overview of the real and effective capacity of each destination to host visitors and to offer them the basic requirements to enjoy the vacation. The spreadsheet is divided in 7 sections, one for each asset: Transportation, Accommodation, Food and Beverage, Creative and Traditional Assets, Tourism Assets, Leisure-Excursions-Tours and Support Services. Drop-down lists have been added in some columns to facilitate the data entry.

Hereafter the description of each section and indications for a correct data entry.

#### Transportation:

Transports include all the means of transportation that allow tourists to reach the destination and move around it. You will be asked to select the main means of transportation, to indicate name and location of the Company and to select the types of connections (within destination or from/to destination).

#### **Drop-down list explanation:**

**Category:** Car Rental - Bike Rental - Motor Bike Rental - Boat Rental - Train Company - Bus Company - Ferries Company - Informal Transportation. **Single choice only**

Type of service: Transport from/to destination - Transport within destination. **Single or multiple choice**











## 1 Workshops for traditional suppliers

A whole range of information can be effectively identified at a workshop, especially on issues of product quantity, quality and cooperation within the network. During a workshop, the existing knowledge about the value chain can be pooled and at the same time an opportunity can be provided to exchange information or reach a consensus if participants are of different opinions. A workshop is therefore more than just a tool for collecting data; it also serves to involve actors and enhance the acceptance of findings.

## 2 Workshop for sharing economy suppliers

The Sharing economy is an economic model, driven by network technologies, that enables things and skills to be shared or exchanged in ways and on a scale not possible before. Individuals are proposing to share temporarily with tourists what they own - for example, their house or car – or what they do - for example meals or excursions. Virtually anyone can share almost anything, from products and property - e.g., an apartment, a car, a bicycle, travel equipment - to time, skills and competencies -e.g., cooking and photography skills, knowledge of a town, places to see -. The most commonly known sharing economy model is a peer-to-peer, model in which peers, mostly individuals, offer and request goods and services. The platform then acts as an intermediary between them.





## 7) TOURISM AND THE SHARING ECONOMY

Although the sharing economy (also referred to as the shared, collaborative, peer or access economy) does not have a single definition, it has been explained in several analyses. The OECD ([https://www.oecd-ilibrary.org/search?value1=tourism+sharing+economy&option1=quicksearch&facetOptions=51&facetNames=pub\\_igold\\_facet&operator51=AND&option51=pub\\_igold\\_facet&value51=%27igo%2Foecd%27&publisherId=%2Fcontent%2Figo%2Foecd&searchType=quick](https://www.oecd-ilibrary.org/search?value1=tourism+sharing+economy&option1=quicksearch&facetOptions=51&facetNames=pub_igold_facet&operator51=AND&option51=pub_igold_facet&value51=%27igo%2Foecd%27&publisherId=%2Fcontent%2Figo%2Foecd&searchType=quick)) describes it as 'new marketplaces that allow services to be provided on a peer-to-peer or shared usage basis'. The European Commission explains in its 2016 communication (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2016%3A356%3AFIN>) that the sharing (collaborative) economy 'refers to business models where activities are facilitated by collaborative platforms that create an open marketplace for the temporary usage of goods or services often provided by private individuals.

## 8) CONCLUSION

Fragmentation in the tourism sector is generally noted as posing a challenge and thereby serving as a stumbling block towards the growth of the sector. An effective tourism supply chain management helps the destination to establish a better visibility in the market and it increases a system's effectiveness to respond to customer demands. Moreover, it involves fostering profitable relationships among suppliers and strengthen cooperation, which enhance the quality of a destination's products and services.

Figure 5

