

Marianna Sigala · Marcela Fang ·  
Anastasia Yeark · Julia N. Albrecht ·  
Oscar Vorobjovas-Pinta *Editors*

# Case Based Research in Tourism, Travel, and Hospitality

Rethinking Theory and Practice



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Anastasia Yeark • Julia N. Albrecht  
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Editors

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Springer

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# Contents

<b>1</b>	<b>Introduction: Case-Based Research in Tourism, Travel, and Hospitality: Rethinking Theory and Practice . . . . .</b>	<b>1</b>
	Marianna Sigala, Julia N. Albrecht, Oscar Vorobjovas-Pinta, Marcela Fang, and Anastasia Yeark	
<b>Part I Leadership and Strategy</b>		
<b>2</b>	<b>Leadership and Agility: What Can We Learn from Melbourne Quarantine Hotel During the COVID-19 Pandemic? . . . . .</b>	<b>15</b>
	Marcela Fang, Ajay Khatter, and Kijung Choi	
<b>3</b>	<b>COVID-19 Disruption at Mullaloo Wharf Apartment Hotel: Choosing a Strategic Route to Success . . . . .</b>	<b>37</b>
	Oscar Vorobjovas-Pinta and Joanna Pearce	
<b>4</b>	<b>Social Media and Crisis Communication: Managing or Creating a Crisis? Lessons Learnt from Hotel Amarilis . . . . .</b>	<b>61</b>
	Marianna Sigala	
<b>5</b>	<b>Sales Leadership in Tourism: The Case of Contiki Canada . . . . .</b>	<b>83</b>
	Olivia R. Howell and Karen M. Peesker	
<b>Part II Innovation and Entrepreneurship</b>		
<b>6</b>	<b>Measuring Hotel and Resort Performances During and Post-COVID-19: A Balanced Scorecard Approach . . . . .</b>	<b>101</b>
	Leo Y. L. Kwong, Marcela Fang, and Zdenka Gabrielova	
<b>7</b>	<b>Yoho Bed: Scaling Up a Platform Business in the Hospitality Industry . . . . .</b>	<b>121</b>
	Jeeshan Mirza and Prescott C. Ensign	

<b>8</b>	<b>Cutting Retention with a Knife: Managing COVID-19- Impacted Turnover Within the Rooms and Culinary Departments at Fairmont Banff Springs . . . . .</b>	145
	Michael W. Lever	
<b>9</b>	<b>Driving Innovation and Embracing Change During a Pandemic with Pricing and Analytics Automation: The Case of ALH Hotels . . . . .</b>	159
	Antoine Bisson, Brett Salter, and Murtaza Rangwala	
<b>10</b>	<b>Closing the Service Innovation Gap in Hospitality Management: The Case of a Fast-Food Chain in Switzerland . . . . .</b>	179
	Thorsten Merkle, Dominik Knaus, and Chantal Siegrist	
<b>11</b>	<b>Product Development for the HAJ Restaurant Chain Based on Financial, Resilience, and Stakeholder Perspectives . . . . .</b>	193
	Meysam Ramyar	
<b>Part III Sustainability and Community Engagement</b>		
<b>12</b>	<b>Community Involvement in Cultural Heritage Tourism: The Case of Ngorongoro Conservation Area, Tanzania . . . . .</b>	213
	Yusuph John Kulindwa	
<b>13</b>	<b>Sustainable Tourism Development: The Challenges of Small Businesses in a Shadow Destination . . . . .</b>	231
	Anna Sörensson, Annika Cawthorn, and Ulrich Schmudde	
<b>14</b>	<b>Backwater Tourism and Houseboat Operations in Vembanad, Kerala: Competing Uses and Management Conflicts . . . . .</b>	243
	Rutool Sharma and Ravi S. Sannabhadti	
<b>Index . . . . .</b>		265

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# List of Appendices

## **Chapter 2**

Appendix 1: Leadership Worksheet for Question Two .....	32
Appendix 2: Leadership Traits Worksheet for Question Three.....	33

## **Chapter 11**

Appendix 1: Proposed Teaching Plan .....	207
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# List of Figures

Fig. 2.1	Occupancy % Australia, Year to Date—December 2021 vs December 2020. (Data source: STR, LLC/STR Global, Ltd. trading as “STR” (2022) Australia & New Zealand Hotel Review-TRI) .....	16
Fig. 3.1	Some of the characteristics of PESTLE key external factors .....	40
Fig. 3.2	The comparison of strengths, weaknesses, opportunities, and threats (SWOT) and its rationale. (Adapted from Evans 2020) .....	41
Fig. 3.3	Palmerston Accommodation Alliance properties in Western Australia .....	45
Fig. 3.4	Visitor nights ('000) as per trip category for Western Australia, including current data and future projections. (Adapted from Tourism Research Australia 2022) .....	46
Fig. 3.5	Average hotel occupancy percentages and the average daily room rates of hotels within Destination Perth (which includes the wider metropolitan area) over 12 months from October 2021 to September 2022. (Adapted from Tourism Western Australian 2022c) .....	47
Fig. 7.1	Booking options for tourists for budget hotels in Sri Lanka. (Source: Author developed) .....	131
Fig. 9.1	Nightcap Hotels locations as of January 2022. (ALH Hotels, 2022) .....	161
Fig. 9.2	Guest Room at Nightcap at Pymble Hotel, NSW. (ALH Hotels, 2022) .....	162
Fig. 9.3	Contents of 2018 RM training. (ALH Hotels, 2022) .....	163
Fig. 9.4	ALH Hotels 2020 occupancy. (ALH Hotels, 2022) .....	165
Fig. 9.5	Pace Revenue logo. (Courtesy of Pace Revenue) .....	169

Fig. 9.6	Amount of rate changes adjusted on Wed, 15 December 2021. (ALH Hotels, 2022) .....	170
Fig. 9.7	Amount of rate changes adjusted on Thu, 3 March 2022. (ALH Hotels, 2022) .....	170
Fig. 9.8	Nightcap at the Ship Inn. (ALH Hotels, 2022).....	171
Fig. 9.9	2019 vs 2021 Australia-wide revenue comparison. (ALH Hotels, 2022) .....	172
Fig. 9.10	2019 vs 2021 Western Australia-wide revenue comparison. (ALH Hotels, 2022) .....	172
Fig. 10.1	Double diamond model based on Lewrick et al. (2018) and Knaus and Merkle (2020).....	181
Fig. 10.2	Project phases. (Authors' own illustration).....	183
Fig. 11.1	HAJ Restaurant chain's distribution (with permission). (Source: <a href="http://www.akbarjoojeh.com/realbranches/">http://www.akbarjoojeh.com/realbranches/</a> ) .....	199
Fig. 11.2	Resilience perspective on product development .....	201
Fig. 12.1	Boma cultural heritage at Ngorongoro Conservation Area. (Source: <a href="https://www.exploring-africa.com/en/tanzania/ngorongoro-conservation-area-zones/maasai-and-ngorongoro-conservation-area">https://www.exploring-africa.com/en/tanzania/ngorongoro-conservation-area-zones/maasai-and-ngorongoro-conservation-area</a> ) .....	214
Fig. 12.2	Maasai cultural dancing around the bomas in the pseudo-Maasai Village at Ngorongoro Conservation Area (2022). (Source: <a href="http://ukarimu-tz.blogspot.com/2016/04/information-about-maasai-cultural-bomas.html">http://ukarimu-tz.blogspot.com/2016/04/information-about-maasai-cultural-bomas.html</a> ).....	218
Fig. 12.3	Contribution of tourism to GDP in Tanzania .....	218
Fig. 12.4	Contribution of tourism to GDP worldwide. The total contribution of travel and tourism to gross domestic product (GDP) in Tanzania and worldwide from 2006 to 2020. (Source: <a href="https://www.statista.com/statistics/311575/inbound-visitor-growth-the-middle-east/">https://www.statista.com/statistics/311575/inbound-visitor-growth-the-middle-east/</a> ).....	219
Fig. 12.5	Boma cultural heritage indicating the handicrafts being presented to the tourists. (Source: Ngorongoro Conservation Area Authority) .....	219
Fig. 12.6	Community involvement in selling handicrafts at cultural heritage sites containing bomas. (Source: Ngorongoro Conservation Area Authority).....	220
Fig. 12.7	International and domestic revenue from 2014 to 2021 at Ngorongoro Conservation Area. (Source: Ngorongoro Conservation Area Authority) .....	220
Fig. 12.8	Total number of domestic tourists at Ngorongoro Conservation Area between 2014 and 2021. (Source: Ngorongoro Conservation Area Authority) .....	221
Fig. 12.9	Total number of international tourists at Ngorongoro Conservation Area between 2014 and 2021. (Source: Ngorongoro Conservation Area Authority) .....	221

Fig. 13.1 Map over Sweden and Duved .....	233
Fig. 13.2 Ski area of Duved. (Author's own Sörensson, 2024).....	235
Fig. 14.1 Map showing location of Cochin backwater system, with Vembanad Lake and surroundings in Kerala, India. (Source: Generated by Authors Using Census of India 2011).....	244
Fig. 14.2 Photographs of houseboats cruising in Vembanad backwaters. (Source: Rutool Sharma, December 2019) .....	250
Fig. 14.3 Proliferation of weeds in Vembanad backwaters. (Source: Rutool Sharma, December 2019) .....	255

# List of Tables

Table 3.1	Characteristics of Mullaloo Wharf Apartment Hotel .....	44
Table 3.2	Proposed teaching strategy.....	57
Table 4.1	Crisis communication response strategies for reputation management.....	64
Table 4.2	COVID-19 and tourism in Greece: brief overview of phases and measures .....	69
Table 4.3	Design examples of crisis communication strategies and practices .....	77
Table 4.4	Good and bad practices executed at different stages of the COVID-19 crisis.....	78
Table 5.1	Contiki results.....	91
Table 6.1	Secondary data sourced for analysing BSC perspectives.....	106
Table 6.2	Overall financial performance for the hotel division.....	107
Table 6.3	Tripadvisor customer satisfaction for hotels division.....	108
Table 6.4	Proposed teaching plan.....	114
Table 6.5	Group activity worksheet.....	114
Table 7.1a	Tourism in Sri Lanka at a Glance .....	128
Table 7.1b	Tourism in Sri Lanka at a Glance .....	128
Table 7.1c	Tourism in Sri Lanka at a Glance. Note: Aggregated arrivals and percentage of arrivals from each country for five years .....	128
Table 7.1d	Tourism in Sri Lanka at a Glance .....	128
Table 7.1e	Tourism in Sri Lanka at a Glance .....	128
Table 7.2	Property types offered by Yoho Bed.....	130
Table 8.1	Job description summaries and duties .....	149
Table 8.2	2019 vs. 2021 termination report with reasons given for departure.....	151

Table 9.1	ALH Hotels business requirements for an RM solution .....	168
Table 9.2	Nightcap at the Ship Inn Busselton results comparison between Jan 2020 and Jan 2021 .....	171
Table 11.1	Financial restaurant key performance indicators pre and during COVID-19 .....	200
Table 11.2	Stakeholders' perspectives on product development.....	202
Table 14.1	Number of houseboats.....	247
Table 14.2	Ostrom's principles and the possibilities for the case .....	253
Table 14.3	Guiding questions for stakeholder analysis with student groups .....	259

# Chapter 1

## Introduction: Case-Based Research in Tourism, Travel, and Hospitality: Rethinking Theory and Practice



Marianna Sigala, Julia N. Albrecht, Oscar Vorobjovas-Pinta ,  
Marcela Fang, and Anastasia Yeark

### Introduction: Scope and Aims of the Book

We are delighted to introduce the second book on case-based research in tourism, travel, and hospitality. Since the conception and publication of the first book (see Sigala et al., 2022), the tourism, travel, and hospitality world has changed immensely. The COVID-19 pandemic has had a profound and transformative impact on the tourism, travel, and hospitality industries. The widespread restrictions, lockdown measures, and travel bans implemented to curb the spread of the virus have significantly disrupted global tourism patterns and forced businesses into making unconventional decisions (Costantino et al., 2020; Pappas & Glyptou, 2021). Current data about tourists' behaviour and industry practices also suggest that many of the COVID-19 introduced changes are here to stay (such as physical experiences,

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accelerated adoption of technologies, resetting of business models, strategies, and decision-making processes for tourists and tourism organisations alike).

The case studies in this book delve into the realities of the ‘new normal’ that tourism, travel, and hospitality businesses had to adapt to in the ever-changing world. The pandemic has accelerated the adoption of digital solutions, such as virtual tours, contactless check-ins, and, sometimes, remote work in the industry (Sigala, 2021; Sharma et al., 2021). As the world gradually recovers, the tourism, travel, and hospitality industry must adapt to new paradigms, emphasising resilience, sustainability, and the integration of technology to meet evolving consumer expectations and navigate an uncertain future (Sigala, 2020). Similarly, many destinations saw the pandemic as an opportunity to reflect, rethink, and reinvent their tourism offering (Sharma et al., 2021; Yeoman et al., 2022). For example, there has been an apparent shift away from mass tourism, and there is a renewed emphasis on sustainable tourism. Furthermore, regenerative tourism is gaining increased consideration in several destinations, such as Flinders Island in Tasmania (Dredge, 2022).

Such dramatic changes require new knowledge and skills not only in the industry but also in the public sector. Subsequently, tertiary education institutions are also required to update their curricula design and content and ensure that graduates are ready for the new industry reality. Moreover, it also becomes imperative that educational institutions also reexamine their pedagogical strategies and practices so that the latter also reflect and address the current profile and needs of tourism graduates (e.g. remote or hybrid working skills). The pandemic has not only heightened the importance of authentic teaching and learning, but it has also fundamentally altered the mode of how students learn. In other words, in this new industry context, educational institutions should rethink what they teach and how they teach it in relation to the new profile and needs of the student audience. For example, an increasing number of tertiary education providers offer content in new formats, for example, micro-credentials (Brown et al., 2021; Orman et al., 2023).

With the widespread adoption of remote learning and virtual classrooms, traditional face-to-face education has been replaced or supplemented by online platforms and digital tools. E-learning has equally affected both theoretically based as well as practice-based courses and instruction, which are both equally important in tourism and hospitality education. For example, we have experienced the replacement and/or enrichment of industry field trips with virtual tours, industry professionals speaking to students via Zoom, and virtual internships. While online teaching and learning were crucial during the pandemic, this relevance persists in the post-pandemic educational environment. This shift has necessitated a reimaging of teaching methodologies and the integration of technology to facilitate distance learning.

Case studies represent one of the most popular ways to support and enrich work-integrated teaching and learning, as they can help students to immerse themselves, better understand industry contexts and problems, and collaboratively or individually work and build relevant skills to solve issues with real-world relevance and impact. Case studies are also an excellent method to bring together and share knowledge and experience across a wide range of audiences, including professionals,

educators, and students. By integrating and referring to related theory, case studies also enable students to better understand theoretical concepts and their practical implications as well as to critically reflect on their contemporary relevance and/or need for revisit.

Case studies also prove educational benefits that can effectively address the contemporary changes and challenges introduced by and maintained after the COVID-19 pandemic. Within an increasingly digital world, case studies offer a meaningful way to engage with and convey relevance to students, who choose to study completely or partially online (Sistermans, 2020). They also offer useful avenues for online students to engage in group work, solving real-life issues. Finally, case studies with their real-life relevance and applied content are also useful components of the new forms of education (e.g. micro-credentials) that aim to contribute more to professional development than traditional degrees. The pandemic has also strengthened and intensified the need for authentic teaching and learning experiences. Case-based teaching and research play a crucial role in this shift. The very nature of case studies is to provide real-world scenarios and practical insights that resonate with the current challenges and uncertainties (Duffy et al., 2023; Smith et al., 2022). Through the incorporation of case studies into the curriculum within tertiary education institutions, lecturers, teachers, tutors, and instructors alike can engage students in critical thinking, problem-solving, and decision-making processes based on authentic industry situations. This approach not only fosters a deeper understanding of complex theories and concepts, but it also promotes the development of skills that are directly applicable to the evolving professional landscape.

In this vein, this collection of case studies delves into current and relevant challenges and practices within the tourism, travel, and hospitality industries. We hope that these case studies will offer valuable insights for educators and students seeking to keep abreast of industry challenges, critically reflect on the contemporary validity and relevance of theories, and contribute to tourism research and educational practices by introducing some ‘new theorising’. Many case studies in the book bring together empirical research and applied knowledge as well as considering (managerial) implications. As such, they can address the growing need for academic research to demonstrate impact. Finally, we hope that this book will also enable readers to acquaint themselves with the case study approach further and gain a deeper appreciation for its merits. By immersing themselves in the intricacies and multidimensional nature of the case studies, readers can develop a layered and nuanced understanding of its benefits.

## Authentic Learning and Authentic Assessment

Both authentic learning and authentic assessment are grounded in aspirations to convey to learners real-world ways of thinking and skills, as well as expected ‘standards of performance’ at par with those of experts or professionals in the respective area (Wiggins, 1998). Linking curriculum content to practical contexts and required

outcomes is thought to engage learners (Tochon, 2000) and enable them to perform purposefully and meaningfully (Brown et al., 1989). Herrington and Oliver (2000) summarised the following as vital pillars of authentic learning: context, authentic tasks and activities, access to expert knowledge, multiplicity of perspectives, collaborative knowledge construction, abstraction and articulation, scaffolding of content and tasks, and authentic assessment.

Authentic assessment goes beyond conventional assessment by requiring higher-order thinking skills employed in specific, practice-relevant contexts. The format is thus well-suited to foster the competencies required in contemporary and future workplaces. Authentic learning and assessment are interrelated and have been positively linked to student learning, autonomy, motivation, self-regulation and meta-cognition, and thereby indirectly to employability (Villarroel et al., 2018). Koh (2023, para. 2) added the following benefits of authentic learning and assessment adding to the already impressive list of its positive outcomes: ‘critical and creative thinking, complex problem solving, effective communication, collaboration, self-directed and lifelong learning, responsible citizenship, and information technological literacy’.

Authentic learning and assessment are well-suited to tourism and hospitality, interdisciplinary fields that are often seen applied and, as such, areas where graduates require a strong grounding in practical concerns. Existing works in these areas demonstrate that educators have long been aware of the potential benefits of authentic learning in tourism and hospitality (e.g. Croy, 2009; Albrecht, 2012; Paddison & Mortimer, 2016; Ruhanen et al., 2021). Authentic learning in tourism and hospitality often entails project work, ideally with industry partners or case study-based learning. Examples of relevant authentic assessments thus include project reports, market research and analysis, business plans and portfolios, writing of articles in newsletter or newspaper format, creating a conference poster, and/or oral presentations. Koh’s (2023, para. 12) requirement that ‘authentic tasks need to be designed to replicate the authentic intellectual challenges and standards facing experts or professionals in the field’ can be readily met in tourism and hospitality tertiary education.

The case studies of this book connect learners with real-world content, emphasising both context and practices. As such, the case studies can act as agents for authentic learning and assessment. To further guide educators on how to best embed and use case studies into their instruction, all case studies are accompanied by a teaching note.

## Case Study as a Method

Case-based research and industry-specific case studies form an integral part of educational practices (Duffy et al., 2023). In tourism and hospitality tertiary education, the case method is an important teaching approach that enables and facilitates discussions on real-world scenarios across different subjects at undergraduate and

graduate levels (Dorta-Alfonso, 2019; Sigala et al., 2022). A detailed discussion about case study as a research method and as a pedagogical method has been discussed in the first book on case-based research in tourism, travel, hospitality, and events (see Sigala et al., 2022).

Case-based learning enables students to experience the real-world challenges that tourism, travel, and hospitality businesses experience on a day-to-day basis. Being put in the role of the protagonist or those faced with difficult decisions, students are taught to practice their on-the-spot decision-making, mainly in the context of imperfect information and choices with implications. Indeed, the case method is a form of active and reflective learning as students need to be in the ‘now’ to decide what to do—as they discuss and respond to the facilitator’s questions and their peers’ responses (Christensen Center, 2022; Dorta-Alfonso, 2019). Through this process, students also practice using various theories and models, providing them with the opportunity to reflect on their relevance in the given contexts (e.g. social, cultural, organisational), and giving them the experience to practice critical thinking and problem-solving (Christensen Center, 2022; Ellet, 2018).

While educators who adopt the case studies in this book can opt for the traditional ‘case method’ approach, each case study is accompanied by a teaching note, which presents carefully crafted teaching approaches and strategies developed by the case authors, suggesting various creative ways to engage students in the learning process (e.g. role plays, presentations, debates, strategic recommendations, other). These methods can further engage students in active learning as they work on the development of arguments or compelling pitches (Doğantan, 2020). It is the facilitation and engagement with issues presented in the case study that can enable students to grapple with new and unexplored concepts, offering a transformative learning experience for the students—as they reflect on their and others’ thinking and problem-solving and find creative solutions to real problems. Through this approach, facilitators help students build on their existing knowledge, construct new knowledge, and support the application in real-life situations.

Case studies also present a research opportunity. The changed tourism and hospitality contexts in the post-pandemic world, as highlighted by the case narratives, are mostly unexplored topics, giving an opportunity for further research and analysis. Each case study presented in this book offers a snapshot of a state and/or what took place at the time of the case writing, contextualising a particular phenomenon and the intricacies of real life (Flyvbjerg, 2006). The post-pandemic context presents the opportunity to look at the phenomena in different ways, through various theoretical lenses, to rethink the conventional ways with the help of new approaches and strategies. Indeed, in the post-pandemic world, it has become more imperative than ever to adopt more human-centred approaches to tourism research that can amplify the voices of the unheard, collate nuanced insights into the lived experiences of residents, tourism staff and tourists, as well as their interpretations of tourism (Assaf et al., 2022). As case studies offer a way to dive deeper into real-world contexts to better understand the experiences of tourism stakeholders from their own phenomenological way, case studies can also be an appropriate methodology to humanise research. To that end, case studies are proposed as an alternative way to

support a citizen social science approach that is currently proposed in the literature (Hardy et al., 2022). This is because case studies can help achieve all the aims of a citizen social science approach, as identified by Hardy et al. (2022):

- Co-creation of methods: by using the case study actor(s) to co-advice and contribute to the design of methods for collecting case study data, e.g. tourism professionals helping identify company's reports and publications related to the case study.
- Citizen-led data collection: using the case study actor(s) to keep track and monitor the process of data collection.
- Co-analysis of data: involving case study actors to reflect, correct, and contribute to the data collected through the case study to validate but also enrich data interpretation.

To that end, it is advised that scholars would reflect on using and experimenting with case study as a methodology to immigrate and adopt more human-centred approach to their research.

## **Book Content and Structure: How to Use the Case Studies**

This book brings 26 scholars across a collection of 14 case studies from Australia, Canada, Greece, India, Iran, New Zealand, Sri Lanka, Sweden, Switzerland, and Tanzania. The case studies have been grouped into the following three themes:

Leadership and strategy	<a href="#">Chapter 2 Leadership and Agility: What Can We Learn From Melbourne Quarantine Hotel During the COVID-19 Pandemic?</a> <a href="#">Chapter 3 COVID-19 Disruption at Mullaloo Wharf Apartment Hotel: Choosing a Strategic Route to Success</a> <a href="#">Chapter 4 Social Media and Crisis Communication: Managing or Creating a Crisis? Lessons Learnt from Hotel Amarilis</a> <a href="#">Chapter 5 Sales Leadership in Tourism: The Case of Contiki Canada</a>
Innovation and entrepreneurship	<a href="#">Chapter 6 Measuring Hotel and Resort Performances During and Post COVID-19: A Balanced Scorecard Approach</a> <a href="#">Chapter 7 Yoho Bed: Scaling Up a Platform Business in the Hospitality Industry</a> <a href="#">Chapter 8 Cutting Retention With a Knife: Managing COVID-19- Impacted Turnover Within the Rooms and Culinary Departments at Fairmont Banff Springs</a> <a href="#">Chapter 9 Driving Innovation and Embracing Change During a Pandemic with Pricing and Analytics Automation: The Case of ALH Hotels</a> <a href="#">Chapter 10 Closing the Service Innovation Gap in Hospitality Management: The Case of a Fast Food Chain in Switzerland</a> <a href="#">Chapter 11 Product Development for the HAJ Restaurant Chain Based on Financial, Resilience, and Stakeholder Perspectives</a>

(continued)

Sustainability and community engagement	Chapter 12 Community Involvement in Cultural Heritage Tourism: The Case of Ngorongoro Conservation Area, Tanzania
	Chapter 13 Sustainable Tourism Development: The Challenges of Small Business in a Shadow Destination
	Chapter 14 Backwater Tourism and Houseboat Operations in Vembanad, Kerala: Competing Uses and Management Conflicts

A short presentation of the content and aims of each case study/chapter is provided below.

Chapter 2 authored by Marcela Fang, Ajay Khatter, and Kijung Choi illustrates the emergence of leadership in the rapidly changing business environment during the COVID-19 pandemic. Learnings are pertaining to sense-making of and strategy implementation in changing business macro-environments, as well as to the relationships between managerial decision-making and actions, and hotel employees' emotions and actions.

In Chap. 3, Oscar Vorobjovas-Pinta and Joanna Pearce examine three key concepts: (1) apartment hotels, (2) Porter's generic strategies, and (3) apartment hotel's external and internal environments. The case study encourages students to use PESTLE and SWOT analyses to examine Mullaloo Wharf Apartment Hotel's internal and external environments. Furthermore, this case study illustrates how Porter's generic strategies can be used as a framework for developing strategic directions.

Chapter 4 is written by Marianna Sigala. Inspired by true industry data, the chapter presents the crisis communication strategies and practices of a virtual hotel located on a Greek island. Through the case study, the students are guided and requested to reflect on various related theories (including crisis management, social media and crisis informatics, crisis communication, corporate social responsibility, and brand authenticity) in order to identify and debate: good and bad crisis communication strategies and practices that also embed the use of social media, recommend actions for improvements, as well as critically think the role of crisis communication in relation to other business operations, such as brand activism, social marketing, and social corporate responsibility.

In Chap. 5, Olivia Howell and Karen M. Peesker introduce a new selling model titled consultative selling process (CSP). The case study details how this model was adopted by Contiki tours. By immersing themselves into this case, students will be able to develop a better understanding of top-down integration by leaders who were passionate about the CSP and who took the time to mentor, coach, and train their salespeople, thereby creating one of Contiki's competitive advantages.

In Chap. 6, Loe Y. L. Kwong, Marcela Fang, and Zdenka Gabrielova explore business performance and benchmarking in the context of resort hotels to survive and compete in the 'new normal'. The authors point to agile leadership and humanistic approaches to promote a new way of thinking to innovate around the balanced scorecard framework. Students are invited to think strategically about the implications of implementing static versus dynamic performance measurement systems.

Chapter 7 by Jeeshan Mirza and Prescott C. Ensign considers the business model, current challenges, and competitive strategies of Yoho Bed, a sharing economy firm

that facilitates exchange between tourists and small-sized hotels in Sri Lanka. The chapter considers scale-up strategies, including deepening the current strategic position, diversification, and international expansion to take the startup forward.

In Chap. 8, Michael W. Lever focuses on the concept of job embeddedness to explore the increased staff turnover rate at the Fairmont Banff Springs Resort (Alberta, Canada). The case presents various changes triggered by the COVID-19 pandemic, which contributed to the turnover within the rooms and culinary departments, prompting to rethink of the current retention strategies to motivate employees to stay with the resort for the long term.

In Chap. 9, Antoine Bisson, Brett Salter, and Murtaza Rangwala delve into the implementation of revenue management (RM) and RM technology solutions at ALH Hotels. A chronological narrative is provided to demonstrate the state of RM decision-making prior to the implementation, as well as the impact of the COVID-19 pandemic on revenue generation. This case study enables students to critically reflect on the implementation of RM strategies during a pandemic and assess the automation of RM decision-making and to appraise different RM strategies.

In Chap. 10, Thorsten Merkle, Dominik Knaus, and Chantal Siegrist elaborate how service design methodologies could be used to improve customers' experience. Both the advantages and the disadvantages are discussed in the context of a fast-food restaurant in Switzerland. It is the objective of this case study to enable students to gain a deeper understanding of the Service Innovation Gap as a barrier to service innovation, as well as how service design can facilitate the development and implementation of service innovations from a customer-centric perspective.

Strategic focus on finances, resilience, and stakeholders' perspectives is the emphasis of Chap. 11 by Meysam Ramyar. Students and practitioners are asked to use the resilience-driven approach during the product development process throughout the highly uncertain times of the COVID-19 pandemic to offer customer value and to achieve effective management of risks, opportunities, and leveraging of resources in a HAJ restaurant chain in Iran.

In Chap. 12, Yusuph John Kulindwa uses social exchange theory and the theory of institutional arrangements in a case study of managing cultural heritage sites occupied by the Maasai community in the Ngorongoro Conservation Area (Tanzania). In highly uncertain times, students are asked to put forward innovative strategies to achieve a sustained flow of tourists and community involvement in cultural heritage tourism, enabling shared stakeholder value.

Chapter 13 by Anna Sörensson, Annika Cawthorn, and Ulrich Schmudde explores a shadow destination of Åre, Sweden, and the challenges it faces in attracting customers. The chapter zeroes in on how cooperation and collaboration could be the potential solution to solve such challenges and prompts students to consider ways in which a shadow destination could develop further tourism products by practising developing recommendations.

Chapter 14 by Rutool Sharma and Ravi S. Sannabhadti takes students on the historical journey of exploring Blackwater, Kerala, and its environmental concerns. Through a theoretical focus on Hardin's tragedy of the commons and Ostrom's rules for managing the commons, students will explore how destinations with dual-use

resources could balance the negative impacts of tourism activity. This is to ensure sustainable tourism governance and practices.

Case studies are relatively short (around 5000 words), so scholars can also use them for in-classroom reading and instruction. All cases include the following fundamental information:

- Abstract and keywords
- Learning aims
- Case study background
- Theoretical underpinnings to help case study understanding
- Business dilemma and/or students' questions
- References and additional learning material

Each case study is accompanied by a teaching note providing instructions to scholars on how to use the case study for educational purposes. Teaching notes are short (around 1000 words) and include the following useful information for instructors:

- Case summary
- Teaching and learning objectives
- Target audience
- Teaching approach and strategy: sample/indicative answers
- Additional reading and references

We hope that this book will serve both educators and researchers. These case studies encompass a wide range of disciplines and employ diverse research methods, such as interviews, surveys, observations, and desk-based research. Consequently, they offer valuable insights for scholars engaged in teaching and research across various fields. While the cases primarily concentrate on the domains of tourism, travel, and hospitality, the processes involved in their development and writing are expected to be beneficial for scholars exploring diverse sectors, particularly those within the service industries. This book is especially recommended for young scholars seeking to enhance their instructional and research methodologies as they embark on or advance their academic journeys.

We hope you enjoy reading and using our case studies to enrich your teaching and also advance your tourism research.

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# **Part I**

## **Leadership and Strategy**

# Chapter 2

## Leadership and Agility: What Can We Learn from Melbourne Quarantine Hotel During the COVID-19 Pandemic?



Marcela Fang, Ajay Khatter, and Kijung Choi

### Introduction

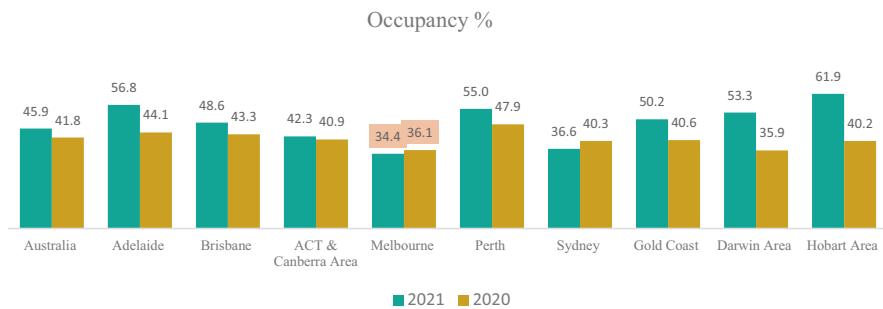
Melbourne is the second-largest city in Australia and has become one of the most locked-down cities in the world, with 263 lockdown days. The COVID-19 crisis and on-and-off lockdowns had significantly impacted the hotel sector. Many hotels were kept vacant for months, while others operated at reduced capacity or under the quarantine program. In Melbourne, hotel occupancy fell steeply and remained low throughout 2020 and 2021 (Fig. 2.1; STR, 2022). Organisational strategies had to be quickly revised and changed, resulting in laying off employees, cutting costs, management of morale, and changes in the overall business models. With the shift in strategy, the implementation needed to be executed rapidly to mitigate the impact on hotel operations until permission to reopen the business was received.

The COVID-19 pandemic changed how hotel businesses could operate and interact with their stakeholders (Wu et al., 2021), including the hotel staff. The need for effective leadership was at the top of the mind of many hotel managers to survive the pandemic crisis. However, it was unclear what effective leadership may look like during these times as most managers had no prior experience managing hotel operations through a pandemic. Indeed, Alvesson et al. (2016) highlighted that effective leadership is complex to implement as the application of well-established leadership styles and traits of how to act may not guarantee the envisioned goals.

This case study presents a unique opportunity for students to explore leadership at one of Melbourne's hotels that was rapidly transformed during the COVID-19 pandemic to implement quarantine program services. Students can advance their understanding of how leadership emerges in times of rapid change, volatility, and

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**Fig. 2.1** Occupancy % Australia, Year to Date—December 2021 vs December 2020. (Data source: STR, LLC/STR Global, Ltd. trading as “STR” (2022) Australia & New Zealand Hotel Review-TRI)

prolonged uncertainty. That enables students to identify the various leadership styles (e.g. transformational leadership, transactional leadership), leadership behaviours, competencies of strategic agility, and leadership traits presented in the case study to discuss the extent of leadership effectiveness during the time of a quarantine program and propose suitable strategies to achieve better outcomes in the future, particularly when other health crises strike the hotel business.

Based on this context, this case study includes three teaching and learning objectives:

- Identify and discuss what leadership behaviours, styles, traits, and capabilities of strategic agility presented in the case study scenarios demonstrate good leadership.
- Reflect on the various leadership practices (e.g. managerial decision-making, actions) and employees’ emotions and actions to draw implications for effective hotel leadership.
- Propose suitable strategies to drive strategic hotel renewal.

## Theoretical Background

### *Leadership in Times of Disruptive Change*

Contemporary writing on leadership emphasises transformation, authenticity, and overall relational and ethical aspects, linking these to certain traits and leadership styles that suggest effective leadership and outcomes. Good leadership is also expected in highly disruptive times to sustain business and assure proper workplace functioning. However, the constant volatility in the environment calls for continually evolving strategy, structure, and processes to deal with the increasing business challenges (Higgs & Rowland, 2001). Thus, leadership is linked with vision, purpose, strategic direction, goals, sound and ethical choices and decisions, integrity, ability to inspire and mobilise people, effective communication, positive employee

relationships, and much more (Alvesson et al., 2016). While leadership has been widely studied in the context of hotels, little is known about how hotel leadership changed in recent times as hotels had to rapidly adapt to the new environment disrupted by the COVID-19 pandemic and whether the leadership behaviours enabled organisations to implement their strategic changes effectively. Stoker et al. (2019) stressed that context can influence leadership behaviours and that leaders' actions can significantly affect organisations (König et al., 2020). As such, it is essential to explore leadership in this unique context to inform hotel leadership practices and the development of leadership capacity to better navigate future disruptions.

Drawing on a combination of leadership theories, such as traits, behaviours, and leadership styles, it might be possible to uncover how hotel managers affect and motivate their employees through leadership as they engage in organisational change and, while doing so, influence employee performance and outcomes. The traits approach to leadership promotes certain traits and skills (e.g. personality traits, temperament, motives, cognition, goal orientation, agency, sense of responsibility, and others) that make leaders more effective. The central tenet of this approach to leadership is that certain traits and skills predict certain behaviours that others could perceive as good leadership (Zaccaro et al., 2004). While research in this area continues to present conflicting results (Alvesson et al., 2016; Stogdill, 1974), little is known about the trait approach to leadership in the context of the COVID-19 pandemic and the hotel industry. Stogdill (1974) suggested considering the situation at hand and the character of followers to establish what traits might be more suitable when considering successful outcomes. However, effective leaders may utilise a mix of contradictory traits, such as consistency, flexibility, and a prescription and relaxed approach. Therefore, it may not be straightforward to assume individual leaders could suddenly adopt certain traits to demonstrate exemplary leadership in the changed context (Alvesson et al., 2016).

The style or behavioural leadership approach focuses on leaders' style or behaviours, underpinned by two leadership tenets—one anchored around getting things done and achieving goals. The other focused more on people or individuals completing the work (Alvesson et al., 2016). Stogdill (1974) states that both leadership orientations can contribute to employee satisfaction. Alvesson et al. (2016) noted that managers might engage in more task-focused leadership even if their general tendency is skewed towards relational orientation. Styles might depend on social, cultural, structural, and other circumstances. Over the years, various leadership styles and models have been proposed and used in research and leadership developments to support the growth of effective leadership in organisations. The application ranges from the task-focused leadership style, such as transactional leadership, to the more relational leadership style, like transformational leadership (Wu et al., 2021).

Bass (1985) developed a leadership model consisting of several factors of behaviours needed during different situations that organisations experience (e.g. during times of change and stability). These behavioural factors fall into two distinct leadership styles—transformational and transactional leadership. The current model contains nine factors, including five transformational leadership factors, three

transactional leadership factors, and one non-transactional laissez-faire leadership factor (Antonakis et al., 2003; Bass & Avolio, 1994).

### ***Transformational Leadership Factors***

- Idealised influence (attributed): linked to the socialised charisma of the leader (e.g. whether confident and assertive and focused on higher-order ideas and ethics)
- Idealised influence (behaviour): related to charismatic actions and centred around values, beliefs, and a mission
- Intellectual stimulation: linked to the development of an open and inclusive environment that challenges and encourages others to create and innovate
- Inspirational motivation: linked to the ways leader energises their employees by envisioning and projecting an optimistic future and vision, emphasising goals, and communicating achievements
- Individualised consideration: linked to leader behaviour oriented around taking care of individual employee needs and development

### ***Transactional Leadership Factors***

- Contingent reward: refers to a leader's behaviour of obtaining an agreement on what needs to be done with a promised reward
- Management by exception (active): relates to leader intervention to make sure standards are met
- Management by exception (passive): refers to a leader's intervention behaviour when there is a need (e.g. due to noncompliance or mistakes)

### ***Laissez-Faire Leadership Factor***

- Leadership that showcases leadership absence of a transaction or deliberate avoidance of taking action (e.g. the leader avoids making a decision, abandons responsibility, does not use authority)

Despite the widespread use of these leadership factors in assessing leadership in the organisational context, Antonakis and House (2002) argued that the leadership model does not consider strategic elements of leadership. Hence, in the context of strategic change, when hotels adapt to a new operating model, organisational agility may provide further insights into strategic leadership effectiveness during these highly volatile and uncertain times.

## ***Strategic Agility***

During highly disruptive times, organisations are challenged to consider organisational redesign, promote workplace flexibility, embrace uncertainty, and modify the organisational structure to meet customer requirements (Serrador & Pinto, 2015). For the first time in a long time, many hotel businesses needed to precisely do that in a short span of time to navigate the continually changing business environment and snap-like government mandates, regulations, and communications during the pandemic. Doz and Kosonen (2010) suggested three capabilities to agility—strategic sensitivity, leadership unity, and resource fluidity. Regarding strategic sensitivity, leaders should be sensitive to external changes and integrate these into corporate strategic planning. Leadership unity relates to the managers' ability to make bold and fast strategic decisions. Managers must collaborate and solve strategic challenges and issues collectively without involving in internal politics. Resource fluidity suggests that managers can reallocate and use organisational resources flexibly. Agile organisations can also rely on people competencies that are mobile and organisational structure that enables flexible reallocation of resources. When confronted with the dire COVID-19 circumstances, hotel leaders felt compelled to act quickly to save their organisations. On the other hand, some did not work in that way during the crisis.

## **Case Study Design Method**

This case study builds on qualitative data from in-depth interviews with hotel employees who were part of the Melbourne quarantine program during the COVID-19 pandemic. A fictional case study of a hotel is presented to shed light on leadership at play during the pandemic to preserve confidentiality; character names have also been changed. Eleven hotel employees were interviewed, including front-line staff, supervisors, and managers across the organisational hotel hierarchy. Students can apply the model of leadership styles and the designated leadership behavioural practices, along with the traits and strategic agility capabilities highlighted within the case study, to discuss the effectiveness of leadership displayed during this quarantine program period at 'Hotel QH'. To deepen the discussion on leadership effectiveness, students are also encouraged to reflect on the impact of the hotel managers' decision-making and actions, specifically how these affected others' emotions and actions. Consequently, students are tasked to propose new strategies for 'Hotel QH' to drive new strategic renewal as the hotel emerges out of the quarantine program service and enters the uncharted waters of the still uncertain hotel industry.

## Case Study Background

**December 2019** COVID-19 first emerged in Wuhan, China.

**March 11 2020** the World Health Organisation declared COVID-19 a pandemic

**January 23 2020** China mandated first lockdown in Wuhan, 76 days

**January 25 2020** Australia, reported the first COVID-19 case and subsequently closed its borders to China

**March 20 2020** Australia shut international borders

**March 28 2020** Victoria's mandated hotel quarantine program launched

**March 30 2020** Victorian Government imposed the first lockdown in Melbourne, 43 days

**July 8 2020** Lockdown 2, 111 days

**February 12 2021** Lockdown 3, 5 days

**May 27 2021** Lockdown 4, 14 days

**July 15 2021** Lockdown 5, 12 days

**August 5 2021** Lockdown 6, 78 days

Melbourne became one of the most locked-down cities in the world

At the start of the pandemic, Australia closed its international borders to prevent the spread of COVID-19. Beginning in March 2020, all returning travellers were required to spend 14 days in quarantine in a designated facility before being allowed to return to the community. In response to the unprecedented public health emergency, states and territories were forced to establish hotel quarantine across Australia and scale up the operation on short notice. As a result, various levels of hotel managers and front-line employees of designated quarantine hotels, together with medical experts, faced a significant challenge in adapting to the new quarantine business model to help save human lives. The success of the hotel quarantine program depended on the hotel managers' and other stakeholders' agility and the ability to adapt to the new health measures and ways of working under the new operating environment and considering the escalation of the public health emergency.

It did not take long before the initial hotel quarantine system began to see cracks in the newly established system. It was discovered that security guards hired by subcontractors of the Victorian government-approved private security companies began to transmit the virus from hotel quarantine into the community because the

security guards were poorly trained and working at various quarantine sites, which was forbidden. This was reported that triggered the second wave of COVID-19 infections in Melbourne, claiming the political career of the health minister. The hotel quarantine arrangements had to be reviewed and scrutinised.

After a thorough investigation of the troubled hotel quarantine management, organisational structures, and operations, best practices were initiated to determine how to put the hotel quarantine program on a more long-term sustainable footing. In response to the need to improve performance, government agencies provided hotels with real-time feedback. As a result, hotels were able to continue to improve their operations.

## **Case Study Context: ‘Hotel QH’**

‘Hotel QH’ is a five-star hotel located in the Paris end of the central district in Melbourne, catering to domestic and international leisure and business travellers. The ‘Hotel QH’ has 230 rooms, two full-service restaurants, and meeting space for 400 people. Due to the COVID-19 border restrictions and stay-at-home orders in March 2020, the ‘Hotel QH’ experienced a downturn in demand, where occupancy dropped by 80%. This was the steepest profit decline for the hotel since it started, resulting in 75% of the hotel workforce being laid off or furloughed. The hotel owner believed that temporarily suspending the hotel’s entire operations would be the best option to prevent further financial losses. However, Ms. Rylie Harrison, the General Manager, suggested taking on the quarantine program and persuaded the owner with the positive ventilation assessment results from COVID-19 Quarantine Victoria (CQV). Although Rylie was concerned about strict government guidelines and regulations on its administrative and policing structures and health-care arrangements, Rylie strongly believed that entering a quarantine program agreement would assist in sustaining the business during the unprecedented times.

## **The Rapid Strategic Turnaround**

As soon as the hotel owner accepted Rylie, the General Manager’s suggestion of running the ‘Hotel QH’ as a quarantine hotel, she suddenly announced the decision to the department heads, saying the operational managers had to work as a quarantine hotel management team with public health workers. Right after, in an email to all hotel employees, Lincoln Davidson, the hotel’s Human Resources Manager, explained that the Victorian Health Department required everyone working in the hotel to be fully vaccinated. All employees would also need to undergo IPAC (infection prevention and control) training, including the use of personal protective equipment. Employees were also required to quickly complete online training on social distancing, hand sanitisation, personal protective equipment, public space

cleanliness and cleaning, and what to do if a COVID-19 case was suspected or confirmed on the premises, among other things.

Subsequently, many new questions arose—the departmental managers had to tackle the questions they did not have answers to quickly. Actually, many questions started to preoccupy their minds, which elevated their levels of stress. How can we work in collaboration with the health-care practitioners and be effective in doing so? How can we lead our own hotel staff with a good level of confidence? This became even more pressing as the mainly new hotel staff looked for clear and detailed directions from their managers. Many of the departmental managers thought to themselves that their actions and also inactions could have dire consequences on the lives and well-being of all hotel staff and hotel stakeholders, including the hotel guests, the local community, and the Victorian government. They really felt the pressure now. Ultimately, this presented a test for the managers—testing their leadership capabilities, agility, resilience, and ability to switch between different leadership styles right at that instance and from then on, as they were traversing the unknown path of the new quarantine business model. Some felt they needed to provide very clear information and directions to all their staff, even the experienced hotel employees, to protect themselves and others from potential misinformation.

The realisation that no one had any prior experience or training in a health crisis made all managers anxious, especially Lincoln Davidson, the Human Resources Manager. Many questions were asked to Lincoln from hotel employees regarding new work conditions, requirements for returning to work, work hours, training procedures, and so on. She felt responsible yet concerned for all the employees. With a heightened level of overwhelm, she said: “I couldn’t make the employees feel confident to come back to work because I had no answers to their questions. I had never done it before either, and I had no one to ask. My general manager also needed to work under the hospital manager at this point. So, it was a very different concept where even your general manager had to ask someone to answer my questions. I knew I needed to push myself for the employees, but that got me really tired”.

Joining forces with other professionals from the health-care and security sectors meant re-shuffling the organisational structure for the hotel quarantine business model to work. This contributed to ambiguity and even further uncertainty as most hotel workers had to work in different roles or take on additional ones. Fortunately, it did not take long for the hotel staff, especially the management, to figure out how to work in this new environment. However, a change in leadership was noted by Rylie, the General Manager, who said: “There is still uncertainty, and then it doesn’t matter who or what has, what kind of experience you have, you know, we still draw on each other to try and troubleshoot and get us through together. Whether you’re a general manager, an area manager, or a junior manager, everything is up for discussion; no single expert can help us develop a cookie-cutter solution for everything that comes our way”. This changed mindset and sudden eagerness to try something new quickly and with a good amount of energy and will to share the leadership responsibility on the hotel management team were noted as energising and inspirational for the hotel staff. None of the experienced hotel staff saw their managers working in such a collaborative manner before. They also noticed a great

camaraderie, teamwork, and stronger bonds between the different managers, front-line staff, and even the health-care workers. Elizabeth Bonet, an Executive Assistant Manager, realised at this point that they (the managers) had to stay calm to gain focus and to model the right mindset and behaviours to their staff across all levels—they believed this would really drive good performance. Taking responsibility and delivering on a greater mission—of saving lives—was also felt important to motivate the team towards the achievement of shared goals: “Participating in the quarantine program meant an even bigger challenge as it was kind of scary, yet commercially speaking it was perfect for the hotel...We were able to keep people employed and keep our employees on top of the pandemic”. Meanwhile, not all of the hotel experiences were positive for the staff as the quarantine business model started to trigger some unhappiness, worry, and even anger.

## Conflicting Views of Work Safety and Well-Being Support

To mitigate life-threatening risks and fulfil their duty of care, the hotel staff needed to be highly trained and specialised in supporting the hotel quarantine system, including clinical, welfare, and security services. Considering that the ‘Hotel QH’ had a five-star status before the pandemic, one would assume the hotel had a sufficient number of staff to take care of the quarantine business. But, this was not the case. Many skilled hotel employees did not want to return to their hotel jobs, fearing they would contract the virus when at work. Luca Toledo, who has been working in the hotel for about 5 years as a Director of Rooms, understood this situation and tried extra hard to support his team to ensure that: “They’re happy coming to work. They’re feeling supported. They’re feeling trained and making sure they feel like they’re in a safe environment. It’s just making sure that we’ve taken the extra precaution to check our staff are well cared for and everyone around us as well. So that’s one extra step that we didn’t have to think in the past about, but we constantly do”.

Luca and others, however, also felt worried about the well-being of all their other staff. It was not always easy. Luca specifically was challenged to align his support practices with those of his colleagues who saw things differently: “There were times when I disagreed with my boss whom I report to directly. There were definitely times when we disagreed, which was tough because I knew we both had the same goals. The same goal was to prioritise looking after our staff, but we didn’t always agree on how best to do things; that was really difficult”. Mason Duan, who was hired by the hotel before the quarantine program as a Guest Service Agent and has recently been appointed as a Duty Manager, also felt worried and emotionally overwhelmed from time to time about additional support needs for his team: “I had one particular team member she was quite nervous about being on-site, contacting guests and catching the virus. I could totally empathise with that; I was there too... I feel quite nervous about my team mixing with another team and guests that I don’t have control over. My staff are exposed to the virus every day; we need more protection and training”.

The management team had to handle the training needs for the front-line staff quickly and effectively as none of them had prior experience working through a pandemic. The initial fear of contracting the virus when at work was high. Maximum health and safety had to become their top priority, not jeopardising their lives. Sonia Patal, a Housekeeping Manager, thought: “The online training module was inadequate in preparing housekeeping staff to properly mitigate the risk of COVID-19 transmission in the hotel environment”. Because the training was not tailored to the specific needs of the housekeeping staff, it was perceived as ineffective and confusing. Sonia feared for the safety of her team and felt emotionally and physically unsupported. Mason agreed with Sonia, saying: “When I worked as a GSA, I could be more casual with other managers to suggest the customised training for our safety, but no one seemed to listen now. Being at an operational level, you were not making as many changes as possible”. He also revealed that: “I like to be quite open with my team, so I like to sit out and have a chat. Emotional intelligence was a big thing to work together on this new occasion. I feel like we are missing this part at the management level”.

A frustrated and sometimes angry Sonia Patal stated in a meeting that guest-vacated room cleaning time has grown by 15%. “It becomes more challenging to determine the cleaning schedule for each room, which can impede morning administration and allocation. It is crucial to certify the cleanliness of a room, despite the time and PPE costs involved. The end-of-day clean-up appears to be more of a math problem than a planning exercise. Whether or not there is a pandemic, a lack of clear communication with other departments appears essential for managing an efficient and effective housekeeping division, but this communication with other departments seems lacking. It isn’t easy to provide teams with the resources to complete work requirements, modify cleaning protocols, and communicate with employees. Hotel housekeeping is under greater scrutiny than ever before. Increasing cleaning and documentation demands is a new phenomenon. The increased expectations of our guests necessitate an increase in housekeeping. High cleaning standards and guest expectations are challenging enough with a full staff, but staff absences due to illness it is more challenging. Housekeeping managers and supervisors perform room attendants and daily housekeeping duties”.

In terms of training, Elizabeth, an Executive Assistant Manager, commented that: “They have rolled out a course to help everyone with their well-being. We’ve done well-being, we’ve done mental awareness. We’ve done many things to help us start as leaders to implement in the workplace. So that way, when we are having that conversation with someone who is struggling, we can handle those conversations. So there’s been a lot of support, which is good. I think I had a really good experience, and I’m very blessed and supported”. She felt particularly reassured as her manager had some great qualities: “My boss is a tremendous mentor. I’m very, very fortunate to have her. Funnily enough, she has a medical background, so she has a vested interest in the science behind the pandemic. And that provided me with a rational, reasonable-sounding board. It seems everything is under control”.

## Changes Impacting Leadership

To rapidly change to the quarantine service design, the ‘Hotel QH’ could no longer provide the five-star hotel experience. This really bothered some of the hotel managers and existing staff as providing five-star hospitality to their guests is the core value and one of the key reasons they work in the hotel industry. Rebecca Park, recently employed as a Food and Beverage Attendant to start with the quarantine program, said: “As an international student, I expected to upskill myself and experience true hospitality, but now I feel like a robot, absolutely zero contact and no interactions with guests. This is challenging, but I feel like I have to get through to be a proper leader someday. I’ve learned from my manager a lot he tried his best to monitor and manage the team and was very open-minded and dedicated. I am excited to learn more”.

While it was challenging to adjust to the factory-like mode of working in a five-star hotel facility, the managers felt it was necessary to create some service experience for guests arriving for quarantine and whose health was at risk. Reece Zhang, the Food and Beverage Manager, said: “I wanted to look after people. I wanted to be interactive and hands-on. This working condition hasn’t changed my motivations because it’s always very people-focused. I keep telling my staff—look after people and provide a great service”. However, providing experience in this strangely looking hotel environment where everyone was covered in overall personal protective equipment was not easy. This was also challenged by the new systems and processes that had to be followed very strictly. The hotel quarantine system was founded on intricate logistical arrangements that enabled infection control and guests’ movement, management, and care to re-join the community without spreading infection. Reece tried to ensure this system every day to his staff and felt supported by the upper managers: “Management constantly monitors all the F&B operations—major or minor things—it helps a lot”. And Rebecca thought: “As a manager, I need to stay updated with the regulations. My manager communicates with us to comply with the law into the operations; he is pretty knowledgeable”.

Soon after things started to settle and the management team felt all started to be under control, news came out about other quarantine hotels that did not provide timely and good enough meal options. Rylie, the General Manager, suddenly decided to send out a survey to explore her hotel guests’ thoughts about the hotel’s in-room dining options. The guest’s comments were communicated during the next morning’s meeting: “We were served the same breakfast every day. The rest of the menu consisted primarily of curries and pies. We were served a salad once, but aside from that, there were no vegetables on the menu except mushroom or pumpkin soup... The option of using Uber Eats was life-changing. As part of my attempt to maintain some control over a small aspect of our lives during our quarantine, I began ordering food for my children and myself. Having the freedom to eat when we were hungry and eat whatever we wanted was important to our mental health”.

Elizabeth, an Executive Assistant Manager, asked Reece, the Food and Beverage Manager, for their actions on this comment. Reece answered right away to her: “We’re receiving large groups of people on short notice with little or no information about dietary requirements, giving us little time to make the necessary arrangements for the incoming groups. Upon check-in, we should inform guests that they could order from the in-house dining menu if they want other choices of food and drinks”. While listening to their conversation, Luca, Director of Rooms, whispered to himself: “No time to ask about dietary requirements during check-in... rather than picking up things not working, checking up on your staff would support us in this stressful time”. And he decided not to communicate this with his staff.

Rylie, the General Manager said that “in my 15 years of running hotels, I have never seen anything like the last three months”. Even though this was a new way for the hotel staff to interact with guests, they all worked together to provide the best service possible. It is a huge responsibility to assist people who are unable to leave their rooms. The process and journey back to Australia were lengthy, and they had to fly with many strangers who had no idea what they were carrying. Many people were concerned when they arrived at the hotel. Many of them have enjoyed our delicious food, spotless rooms, fresh air, sliding doors, and balconies.

Riley stated that her staff focused on quarantine’s “human side” by providing three meals a day, standard room service menus, security on each used floor, and cleaning kits for their rooms. She described the process as tough but worthwhile. “14 days alone or with your family in a room is long”, she said. “Every day, children can spend several hours playing games, reading books, listening to music, taking quizzes, and drawing. We established a PC channel between the boardroom and the rooms so that podcasts and other entertainment could be streamed live. We streamed classes and created a Facebook group to keep track of how our guests felt because 14 days is a long time to stay in one room”.

## The New Normal

With the changes to international border provisions and the transition to living with COVID-19, Victoria’s hotel quarantine programs started to end at the end of 2021. A new purpose-built quarantine facility, “Victorian Quarantine Hub”, was developed to cater to any future needs. This also signified a new turning point for all the hotel staff. For some, a great new beginning to return to the deeply longed five-star service environment and the world of hotel experiences and customer interactions. Rylie, the General Manager, was also excited about her newly envisioned future of the hotel and the strategic opportunities she could explore with the management team to move into the new normal and beyond the crisis mode. At the top of her mind was a different leadership model—one that puts people first.

The General Manager of the hotel thanked the staff for their dedication. She stated that “going forward, the COVID-19 tsunami obliterated many of the conventional hotel strategies, which is the current mode of thought. The hotel is confronted

with one of the most severe crises in recent memory, necessitating a re-evaluation of its operations and a new strategy. As a result of the global pandemic, hotel guests have decreased significantly. To distinguish itself from the competition, our hotel must highlight the positive ways in which it differs from other similar establishments. We should differentiate our hotel from the competition through our revised marketing and digital strategies. Because novel approaches are not yet widely adopted and it is impossible to predict a concept's long-term profitability, innovation frequently involves taking risks. Nonetheless, now is the time to take risks, as the COVID-19 outbreak triggered the great hospitality reset. There is no benefit because no one can predict the future. Our hotel may need to implement one of the numerous disruptive solutions available to adapt to this new environment. There will be an increase in travel enthusiasm. However, the recovery will likely be slower than in other industries, and segment-specific details will vary. As the economy improves, domestic and international business and leisure travel will increase. Certainty dictates that the subsequent norm will be marked by structural shifts, especially regarding customer expectations for flexibility and cleanliness. In addition, domestic vacations are anticipated to outnumber international vacations, eco-tourism, sustainable travel, and hotels that give guests the impression that being a part of their local communities may gain popularity. Customers' preferences are shifting, and our hotel may be able to offset some of the occupancy declines by offering high-quality personalised experiences to our guests".

## Discussion and Conclusion

Despite being the hardest hit, hotel businesses in Melbourne had to quickly respond to the COVID-19 risks, which depended on hotel leaders' and stakeholders' agility to adapt to the continually evolving business environment. Hotel managers had to embrace the change and work swiftly under the constantly changing government mandates and updates. They had to adopt a different mindset and use a combination of varying leadership behaviours with more humanistic leadership approaches, bound to meet the shared needs of the hotel stakeholders.

While the COVID-19's disruptive impact on the hotel industry is undeniable, conversely, the pandemic crisis has compelled many hotel leaders to rethink their strategic choices and to think differently during these times and for the future to exemplify humanistic approaches, which have usually been weak points for many hotel managers. Those front-line workers and managers working in a quarantine hotel during the COVID-19 crisis might have progressed to the next level of agility and developed a new mental frame of what leadership looks like in times of the pandemic. As 'Hotel QH' now ends their quarantine hotel contract, it is time for the hotel team to reflect on the journey and plan for the journey ahead. What leadership behaviours and traits seemed to work well at the different times of the pandemic? What leader/leadership decisions and actions might have been questioned more critically? Was the leader/leadership focus placed too much on the tasks or people?

What are the likely consequences of the demonstrated leadership on the future of leadership in the hotel context? Envisioning the future of the Melbourne hotel sector, should the hotel leaders turn back to the previous pre-COVID-19 business model, or should that business model be disrupted in more deliberate ways? What should the new strategic choices be?

## **Teaching Note**

### ***Case Summary***

This case study sheds light on leadership—the mix of different leadership styles (e.g. transformational and transactional), behaviours, traits, and strategic agility capabilities—as managers in one of Melbourne’s quarantine hotels learn to navigate the COVID-19 crisis. The case study highlights how the broader environment (e.g. government mandates, the spread of the virus in the community, others’ well-being, news about competing hotels) influences the hotel managers’ leadership styles, decision-making, and actions, which also impact how others feel and think about work. The case study shows that more humanistic leadership is used in this unique hotel context. The hotel shifted its business model from luxury hotel services and experiences to a quarantine hotel program. In this context, the case study highlights the importance of strategic agility to help sustain the hotel business and keep people employed. The case study helps build students’ awareness of effective leadership (e.g. good styles, behaviours, and traits). Depending on the context and situation, these should be used differently in the hotel environment. While the quarantine hotel program has ceased, the case study learnings can be incorporated into future hotel health crises, such as pandemics. Students are encouraged to reflect on the leadership exemplified by the different managers in the case and develop strategies to enable adequate leadership capacity and agility in hotel organisations, hence building the leadership capacity to deal with future disruptions.

### ***Teaching and Learning Objectives***

- *Identify and discuss what leadership behaviours, styles, traits, and capabilities of strategic agility presented in the case study scenarios demonstrate good leadership.*
- *Reflect on the various leadership practices (e.g. managerial decision-making, actions) and employees’ emotions and actions to draw implications for effective hotel leadership.*
- *Propose suitable strategies to drive strategic hotel renewal.*

## **Target Audience**

This case study is suitable for undergraduate and postgraduate students in tourism and hospitality courses, specifically those subjects that incorporate leadership and strategy in teaching and learning. The case study directs students to synthesise their leadership knowledge (e.g. different leadership styles, behaviours, traits) that students might have developed throughout their studies (e.g. course, program). Postgraduate students can further reflect on their past work experiences to think critically about effective and ineffective leadership behaviours and how these may play out differently in various organisational contexts and situations.

## **Case Study Questions and Indicative Answers**

- 1. Discuss the extent to which the hotel management team demonstrated strategic agility. What were the likely implications of these actions for the hotel business? What should the new business model be?***

Strategic agility (see Doz & Kosen, 2010)

Key capabilities	Evidence (example responses)	(+/-) Implications
<b>Strategic sensitivity</b> Sharpening foresight, gaining insight, gaining perspective, gaining generality, seeing the need for business model renewal	Evidence from the case study (e.g. hotel managers must adapt their leadership practices (e.g. actions and activities) in light of the extraordinary crisis event occurrences. Managers and their staff had to show adaptability and resilience to navigate the changing market conditions while complying with new government rules and regulations. It was not simply a matter of being politically correct; it was also to demonstrate ethical and creative capacity.)	Individual and team preparedness (e.g. awareness of challenges and opportunities, self-control), collective decision making, creative problem solving, agile actions etc.
<b>Leadership unity</b> Surfacing and sharing assumptions, understanding contexts, explicitly making personal motives and aspirations, building interdependencies, sharing a common interest, and providing empathy and compassion	Evidence from the case study (e.g. this was when hospital and hotel managers at 'Hotel QH' had to work together and make important business choices, potentially impacting peoples' lives. At this point, these managers from different organisational fields and experiences had to take collective responsibility for creating a workplace model of good collaborative practice, coordinated decision-making, risk mitigation, community safety, and providing optimal services and support to their guests and staff, etc.)	The leadership team (e.g. strategic clarity, ability to set and communicate direction, inspiration, motivation, engagement, etc.)

(continued)

Strategic agility (see Doz & Kosen, 2010)		
Key capabilities	Evidence (example responses)	(+/-) Implications
<b>Resource fluidity</b> Gaining flexibility, (dis) assembling business systems, separating resource use from resource ownership and negotiating resource access and allocation, using multiple business models, acquiring to transform oneself	Evidence from the case study (e.g. the government-mandated quarantine hotel program/system and the presence of hotel workers, health-care workers and security guards called for specialisation in the three areas. However, the combination of the systems' resources/capabilities can be assembled and support the implementation of the hotel quarantine service. For example, the medical staff had to organise and manage the check-in/check-out process (flow of guests through the hotel facilities), including hotel and security workers. The hotel staff (food and beverage) had to organise the food production and delivery flow. Security guards had to manage guests' behaviours if an attempt was made to leave or breach the quarantine requirements etc.)	Preservation of existing resources, development/acquisition of new resources/capabilities, learning culture, sharing information, collective inputs, creativity, better problem solving, innovation etc.

Note: Based on the findings of the hotel management team's organisational agility capabilities, students should discuss the next steps—The type of business model to achieve competitive advantage in the post-pandemic era; highlight and discuss the key business activities and leadership behaviours to rethink the ways of organising, working, and leading to achieve competitive advantage in the new normal

**2. In the context of this case study, what type of leadership would be most effective during the COVID-19 crisis? Use the transformational and transactional leadership factors to synthesise your findings and develop your arguments.**

Students should use different leadership models (styles) and, specifically, the key leadership behaviours that signify each style and look for any evidence from the case study to discuss the positive and negative implications of these behaviours on the outcomes of 'Hotel QH' (e.g. individual employee outcomes, team outcomes, organisational outcomes; such as motivation, job satisfaction, work behaviour, collaboration, hotel reputation, organisational culture, preservation/development of organisational resources and capabilities, standing in community, etc.). Examples of some leadership styles and behaviours are provided in Appendix 1. Instructors can select models taught in their courses. Postgraduate students may also discuss how the hotel leadership during the COVID-19 crisis was more politically charged and build on their experiences of working in the

industry (e.g. before, during, after the pandemic); reflect on their own experiences in the realm of leadership to inform their future practices.

3. ***What other leadership traits may add to the effective handling of the quarantine hotel operations?*** Students can consider the early as well as the later stages of the quarantine program operations and the specific scenarios (e.g. the limited and sometimes conflicting information from the government and the heightened level of uncertainty when some quarantine hotels were reported in the media spreading the virus into the community, learning about food and beverage issues reported in the media/ news in other hotels) to identify different traits that would contribute to leadership practices signifying effective leadership. Leaders should be proactive rather than reactive to navigate the hotel through the pandemic, the recovery and into the future. See Appendix 2 for a worksheet.
4. ***Discuss the role of emotional intelligence in a hotel leader's ability to navigate through the complexity of the COVID-19 crisis.*** Many hotel managers swayed under enormous pressure during the pandemic, while other managers successfully navigated through. Students should build on concepts of emotional and social capabilities to explain how leaders could stay calm and manage their stress, support others with empathy and compassion, and remain optimistic during difficult times.
5. ***What developmental strategies should the management team at 'Hotel QH' introduce to grow everyone's agility and leadership capacity?*** Different leadership development programs could be rolled out for hotel employees (e.g. front-line staff, managers, senior managers). Students are encouraged to suggest the leadership development content and the training strategies for each cohort to make it a valuable learning experience to maximise the transfer of learning to the work context. Coaching and on-the-job learning opportunities could also be used to reinforce the learning through real workplace experiences.
6. ***If you were the hotel's General Manager, would you agree to the decision to adapt to the quarantine business model?*** Answers will vary. Students are encouraged to share their perspectives, anchoring their answers to their current levels of self-leadership (efficacy), experience in the hotel/other industries, expectations of working with the various hotel stakeholders (including the government), keeping the community safe, and the consideration of business survival to deal with falling revenues.

## ***Teaching Approach and Strategy***

To meet the case study's teaching and learning objectives, the following teaching approach and strategy are recommended:

Session	Task/case study question	Time	Teaching approach	Learning objectives
1	Theory overview	15 mins	Lecturer/group activity	
	Question 1	30 mins	Group activity (analysis and discussion); lecturer to synthesise group findings	1
	Question 4	20 mins	Individual or group discussion	2
2	Question 2	30 mins	Group activity (analysis and discussion); lecturer to synthesise group findings (see Appendix 1 for more)	1
	Question 3	20 mins	Group activity (analysis and discussion); lecturer to synthesise group findings (see Appendix 2 for more)	1
3	Question 5	15 mins	Individual or group activity; lecturer to synthesise findings	3
	Question 6	20 mins	Individual; lecturer to synthesise findings	3

## **Appendices**

### ***Appendix 1: Leadership Worksheet for Question Two***

The COVID-19 crisis challenged and tested existing hotel managers on their leadership practices—moving from the business-as-usual to a crisis mode. However, little is known about leadership in this pandemic and hotel context. Due to the unique situation, each leadership style may uncover new issues (weaknesses) or insights (strengths) to manage hotel operations. Students are encouraged to apply the transformational and transactional leadership styles and behaviours factors and discuss which aspects could potentially imply weak and strong outcomes (e.g. for individual employees, teams, and the organisation).

Students should work in small groups (three to five students) and share their findings. Students can build on the information presented in this case study and their experience working in the industry. The facilitator should note and summarise the teams' findings and highlight that there is no one best leadership style suitable for managing hotel and its operations during a crisis. Due to the evolving context and the level of uncertainty, a combination of different leadership styles (behaviours and traits) would emerge and be considered effective.

Transformational and transactional leadership styles/behavioural factors		
The key leadership factors	Evidence	(+/-) Implications for individuals, teams, and the organisation
Idealised influence	(e.g. anchoring this around vision, direction, psychologically safe environment, goal orientation etc.)	
Intellectual stimulation	(e.g. new ways of working, implementing a new business model, trying something new, working with hospital staff, security contractors, government, etc.)	
Inspirational motivation	(e.g. new bold moves to save lives and the business, increase inclusivity and care, build community, etc.)	
Individualised consideration	(e.g. individualised employee support, training and Well-being programs, continuous improvement of health and safety procedures etc.)	
Contingent reward	(e.g. bonus—Tangible; praise—Psychological etc.)	
Management by exception	(e.g. taking corrective actions after errors/mistakes are made, or complaints received (passive); direction is made to meet a safety standard (active) etc.)	
Laissez-faire leadership	(e.g. leaders' actions are delayed or not made etc.)	

## Appendix 2: Leadership Traits Worksheet for Question Three

Leadership traits		
Examples	Evidence	(+/-) Implications on individuals, teams, organisation
Responsible		
Caring, empathetic, compassionate		
Articulate		
Resilient		
Trustworthy		
Listener		
Persuasive		
Self-confident		
Cooperative		
Influential		
Emotionally intelligent		
Socially intelligent		

### Suggested Readings

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## Chapter 3

# COVID-19 Disruption at Mullaloo Wharf Apartment Hotel: Choosing a Strategic Route to Success



Oscar Vorobjovas-Pinta and Joanna Pearce

## Introduction

In recent years, apartment-style hotels have become increasingly popular and represent a growing segment within the accommodation sector. Apartment hotels, like any other accommodation providers, must keep abreast of changes and developments in those environments, which can and do influence the business and industry they are engaged in. These environments range from the internal to external environments of the organisation. Disruptions, such as the COVID-19 pandemic, weaken the potential growth and threaten the existence of a business because their negative impact extends to all elements of the external business environment, which has a flow on effect on the internal environment (Adam & Alarifi, 2021). As such, monitoring and conducting analyses of internal and external environments is crucial for keeping abreast of the occurring changes. During the analysis, there are a few issues that apartment hotel managers should be aware of. For example, how likely it is the potential changes will occur, how soon is the change likely to occur, and what is the likely impact this change will have on our organisation? The answers to these questions (amongst others) will influence how an organisation's management chooses to respond.

This case study focuses on Mullaloo Wharf Apartment Hotel. Information and data presented in this case study are fictional, though were influenced and inspired by challenges facing real-life apartment hotels. The main aim of this case study is to assess and understand how to use Porter's generic strategies, in response to changes

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from external disruptions, and the benefits these strategies might present. Furthermore, the case study sets the basis for the assessment of the apartment hotel's internal and external environments. Students should adopt a role of a business consultant and assess the information provided within the case study. This case study is structured to help students achieve the following learning aims:

1. Critically analyse the characteristics of apartment hotels and how this influences the choice of target markets.
2. Discuss the benefits of collecting, collating, and analysing data on external and internal environments in order to determine an organisation's current and future strategic position.
3. Adapt and apply Porter's generic strategies to the Mullaloo Wharf Apartment Hotel to help them respond to emerging disruptions, such as the COVID-19 pandemic, in the internal and external environments.
4. Propose and argue the case for which strategic direction recommendation would be most beneficial for Mullaloo Wharf Apartment Hotel to reposition itself post COVID-19.

## **Apartment Hotels**

There is no standard definition of what an apartment hotel is. Typically, an apartment hotel or aparthotel could be defined as a serviced apartment complex that uses a hotel-style booking system (Greenberg & Rogerson, 2015). Sometimes apartment hotels are referred to as 'residential hotels', though this term is more popular in the United States. A residential hotel is essentially an apartment building that offers maid service and room service for meals (Encyclopaedia Britannica, 2021). Apartment hotels are also commonly known as 'serviced apartments' in Australia, although these terms are often used interchangeably. Apartment hotels are usually fitted with a full kitchen or kitchenette, a separate living space, a separate bedroom (or several bedrooms), a washing machine, and a dryer. The working hours of the reception are usually limited, or sometimes there is no receptionist at all. Compared to a traditional hotel room, an apartment hotel provides greater space, better furnishings, and the convenience of added facilities (Forenom, 2021). This is particularly pertinent for those travellers who wish to stay for an extended period. The difference in price is also a compelling advantage for an apartment hotel.

Today, even business travellers chose to stay at aparthotels. Business travellers are under pressure to optimise their spending and find savings. As a result, many people are staying in apartment hotels because they are more cost-effective than short-term hotel stays and more convenient than long-term rentals (Easen, 2012). Indeed, apartment hotels present business travellers with many benefits, for example, it allows them to work, rest, and cook in a homely environment. These benefits have been particularly exacerbated by COVID-19, whereby travellers have placed emphasis on the comforts of travel. Travellers can indeed enjoy more comfort and

peace of mind when they have their own kitchen, spacious and comfortable living areas, and a private bedroom, especially if they are staying in temporary accommodation for a while (Forenom, 2021). The very nature of aparthotels means that designated areas for carrying out their normal routine enables a greater sense of organisation. For example, research has found that transient and confined settings of a hotel room are not ideal for optimising efficiency (McIntyre, 2020).

It is suggested that apartment hotels are 30% cheaper than comparable hotels (Easen, 2012). This is because they often do not have or provide services that a typical hotel would do such as a restaurant, a bar, a pool, and a gym. It is also important to consider the length of stay when comparing prices between apartment hotels and traditional hotels. It can be extremely expensive to stay in a hotel for weeks on end, especially if you are reliant on eating out or ordering room service rather than making your own meals (Greenberg & Rogerson, 2015). The rivalry between Airbnb and the apartment hotel industry is well-known, which further pushes down the price (Oskam & Boswijk, 2016). With a wide supply of apartment hotels at various price points, including studios with kitchenettes and four-bedroom penthouses, aparthotels are already an established industry in many cities across the world. Popular apartment hotel brands in Australia and New Zealand include Adina Apartment Hotels, Meriton Suites, Oaks Suites, and Quest Apartment Hotels.

## Organisation's Internal and External Environment

Strategic management is a field of study through which organisations establish and define their missions, visions, goals, and objectives. It then allows them to craft and execute strategies at various levels of the organisation's hierarchies to create and sustain a competitive advantage (Okumus et al., 2020). Strategy entails futuristic thinking and developing a course of action to meet long-term goals and objectives. A strategy should be able to define and address the following (Evans, 2020):

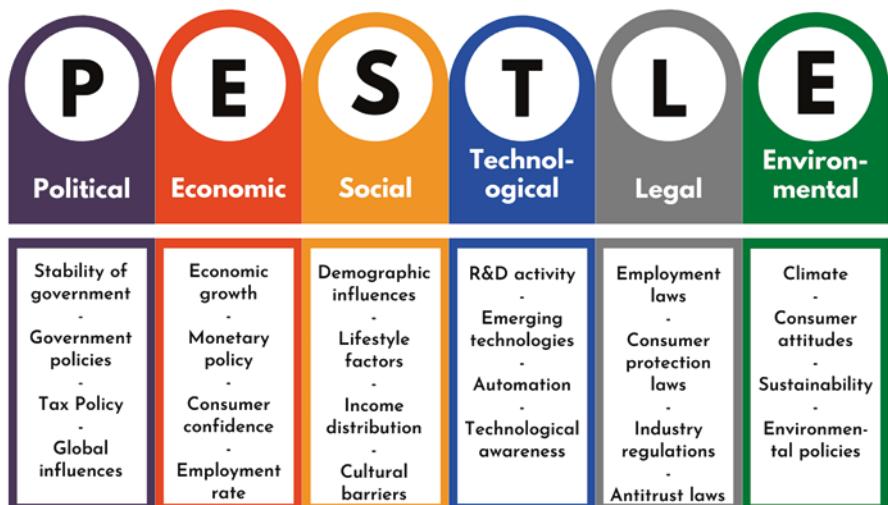
- Company's current position: 'Where are we now?'
- Company's intended future position: 'Where do we want to go?'
- Company's growth from the current position to the future position: 'How do we get there?'

The ability of an organisation's management to align itself with, and make the most of, the forces driving change in the external environment is crucial for success. The external environment lies outside the organisation, and therefore beyond its control, and includes individuals, organisations, systems, and institutions. Influences from the external environment can be in the form of changes that occur due to the forces that emanate from it (Evans, 2020; Okumus et al., 2020). There are a multitude of external environmental events or forces occurring simultaneously at the macro and micro levels, with these commonly referred to as opportunities and threats. Organisations must track changes and assess the impact of these changes in terms of cause and effect. External environmental events, such as COVID-19, will

be pulling and pushing the organisation in various directions if management attempt to react to them all. Management must determine which external events or forces are likely to have the greatest impact on the financial value of the operation and invest resources in maximising or minimising the influence of those events. The determining of which external forces to expend resources on and the broad approach to dealing with those external forces is strategy formulation.

In order to determine which of these external events or forces are likely to have the greatest impact, organisations need to undertake a scan of the external environment—termed environmental scanning or situation analysis. Two of the more common are PESTLE and SWOT. While PESTLE is completely outward focused, SWOT does include some aspects of analysis of an organisation's internal environment. Figure 3.1 outlines some of the major characteristics of the key external factors according to PESTLE. PESTLE looks at the external pressures on an organisation by examining factors related to (McCabe, 2008):

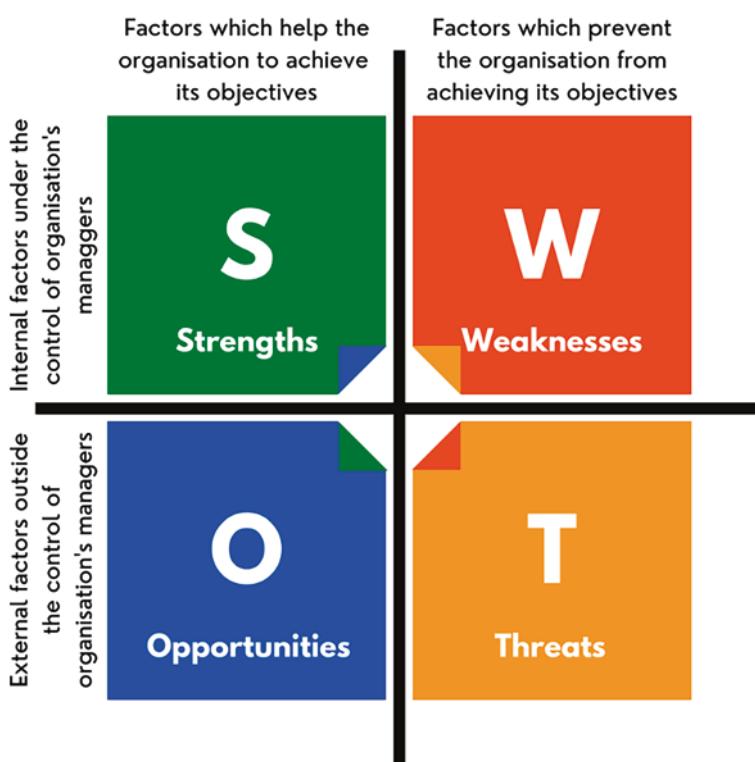
- Political forces—driven by both government and non-government organisations (e.g. BREXIT, anti-terrorism measures).
- Economic forces—economic performance of tourist generating region as well as economic situation in tourist destination (e.g. economic growth in developing countries, unemployment, and availability of discretionary income).
- Sociocultural forces—relate to people who make up the markets for products and services and how these may have changed over time (e.g. rise of wealthy middle class in India, low unemployment rate in Australia).
- Technological forces—ability to create better understanding of effects of technology on all aspects of an organisation, including its' customers (e.g. e-ticketing, QR code check-in).



**Fig. 3.1** Some of the characteristics of PESTLE key external factors

- Legal forces—legislation and policy changes which directly/indirectly affect an organisation (e.g. climate change/environmental legislation, visa restrictions).
- Environmental forces—factors related to maintaining and protecting the natural resources, environmental policies (e. g. increase in “green” customer, weather, and rise of severe/adverse weather conditions).

A SWOT (Strengths, Weakness, Opportunities and Threats) analysis focuses on the internal and external environments (Fig. 3.2). An organisation's internal environment is a combination of its structure, processes, people, and culture. This pertains to the organisation's strengths and weaknesses. If each of these processes is coaligned, that is, designed, constructed, and operated with the same objective of adding value to the organisation, then an organisation is likely to succeed in its business operation (Evans, 2020; Okumus et al., 2020). The external environment of a SWOT analysis pertains to examining the opportunities and threats posed by the market and other competitors, particularly in relation to what opportunities are there in the market and broader external environment that an organisation can capitalise



**Fig. 3.2** The comparison of strengths, weaknesses, opportunities, and threats (SWOT) and its rationale. (Adapted from Evans 2020)

on and what are the threats posed by an organisation's competitors to obtain relevant market share (Evans, 2020; Okumus et al., 2020).

Both PESTLE and SWOT provide an organisation with a framework to collect, collate, and analyse information about the external (macro) environments and internal (micro) environments in which they operate (Evans, 2020). This is an essential first step to obtaining the necessary information to align a company's organisational competencies in order to identify and adapt the more relevant of the three Porter's generic strategies.

COVID-19 is one of the external factors that has had a profound impact on tourism and hospitality industry. As a result of the pandemic, a worldwide health crisis has reverberated, triggering an economic downturn requiring accommodation industry to readjust and develop new strategies to stay in business. It is particularly imperative for organisations to monitor and analyse their environment during the times of disruption. This is because the rules of the game change frequently and fast, requiring organisations to reassess and adapt their strategies to a new context. For example, tourism and hospitality industry has suffered enormously due to the imposition of lockdowns, travel bans, and safety warnings, requiring them to rethink their operations and their strategic direction during and post pandemic. It has been several months and even years since there have been any inbound visitors as a result of the measures taken by governments around the world, including Australia. The disruption posed by the pandemic resulted in industry taking a series of proactive and reactive measures to alleviate the negative impact. Reactive measures pertained to emergency transformation, health and safety measures, and services changes, whereas proactive strategies aimed to support business recovery and post-pandemic growth through business innovation and other recovery strategies (Le & Phi, 2021). For example, the hospitality industry turned to technology, with significant developments observed in the area of digitalisation and automation (e.g. contactless check-in, app-based menus, online concierge).

## Porter's Generic Strategies

In 1980, Michael Porter published a groundbreaking book in the area of strategic management titled *Competitive Advantage* (Porter, 2011), which has transformed the theory, practice, and teaching of business strategy throughout the world. The book explores the underpinnings of competitive advantage in an individual organisation. An organisation that wants to achieve a competitive advantage must make a strategic choice whether to minimise its costs or to differentiate itself from its competitors in the market. Porter presents three generic strategies for increasing competitive strength (Evans, 2020; Islami et al., 2020; Porter, 1985, 2011):

1. *Cost Leadership*—an organisation's ability to produce a good quality product or service cheaper than its competitors. This provides an opportunity to sell it at a lower price than others. Typically, such organisations use their resources

efficiently to reduce the costs associated with the product or service. For example, Ibis Budget is one of the Australian leaders in economy-style hotels and the economy brand of the Accor group. They offer quality accommodation at competitive local value. Ibis Budget brands itself as an affordable hotel offering comfortable basics (comfortable bed, 24/7 access, and free WiFi) at a low price.

2. *Differentiation*—products or services produced by an organisation that are distinguishable from competitors by its unique or special characteristics within its focused market. Such companies are usually characterised by their innovativeness and/or ability to produce better quality products and services than their competitors. The cost of such products and services is often higher than their competitors, but consumers are willing to pay a higher price for additional features and perceived quality. For example, Saffire Freycinet, a luxury resort in Coles Bay, Tasmania, strives to achieve differentiation and sees it as a key element for offering guests a memorable and quality experience. A nightly rate at this luxury resort is between \$2800 and \$3800 and includes an all-inclusive experience. Guests can expect breakfast lunch and dinner at their leisure, including selected beverages, complimentary mini bar, selected lounge beverages, and complimentary experiences.
3. *Focus*—focusing the activities of an organisation on a small part of the market to satisfy consumers and do it better than their competitors. Using the concept of ‘focus’, Porter suggests concentrating an organisation’s attention on a specific group of consumers, a specific segment of a product or service group, or a specific geographic market.

Further conceptualisations of Porter’s generic strategies suggest dividing the focus strategy into cost focus and differentiation focus (Porter, 2011):

- (a) *Cost focus* strategy aims to minimise costs in a focused market. For example, The Capsule Hotel in Sydney provides cheap, cost-effective, and basic overnight accommodation for guests who do not require or who cannot afford larger, more expensive rooms offered by more conventional hotels.
- (b) *Differentiation focus* strategy aims to position an organisation towards differentiation from other competitors/products within a focused market. For example, Turtle Cove in Cairns is the only LGBTQIA+ (lesbian, gay, bisexual, transgender, queer/questioning, intersex, asexual, and other gender and sexualities) adults-only resort in Australia, providing safe and enjoyable accommodation in a tropical location. They are pitching (focusing) their services to a particular clientele and, as such, are the leaders within this differentiated niche.

Porter’s generic strategies are designed to bring structure and direction to the task of developing an organisation’s strategic position. The strategies demonstrate how competitive advantage can be defined in terms of relative cost and relative prices, thus linking it directly to profitability (Porter, 2011). It further contextualises how profit can be created and divided. Porter’s framework for predicting competitor behaviour has indeed transformed the way in which organisations look at their rivals and has provided a tool for a comprehensive competitor assessment (Porter, 2011).

## Case Study Context

Mullaloo Wharf Apartment Hotel is a four-star property situated in Mullaloo, a northern coastal suburb of Perth, Western Australia (WA), within the City of Joondalup. The characteristics of the hotel can be found in Table 3.1. Mullaloo Wharf Apartment Hotel is owned and operated by the Gilbert family and is not affiliated with any other hotels or hotel management companies. However, it is a member of an independent hotel cooperative—Palmerston Accommodation Alliance (PAA). This cooperative consists of 374 independently owned serviced apartments and hotels operating in 32 countries. Majority of them are in the United States (35%), the United Kingdom (10%), and Canada (7%). There are 24 properties in Australia (6%), and five of them are in WA (1%)—these are located in Albany, Broome, Joondalup, Geraldton, and Perth (CBD) (Fig. 3.3). The PAA does not provide any management or operational support but does supply a central reservation platform and considerable marketing for its members.

Mullaloo Wharf Apartment Hotel was officially opened in October 2019 by Amanda Gilbert, the General Manager of the apartment hotel. Six months later, in March 2020, COVID-19 hit Australia. Prior to the pandemic, the apartment hotel's operation was structured around a market mix consisting of 80% corporate/business

**Table 3.1** Characteristics of Mullaloo Wharf Apartment Hotel

Mullaloo Wharf Apartment Hotel				
Rooms:	100			
Room types:	30 × Studio rooms 50 × One-bedroom apartments 20 × Two-bedroom apartments			
Room facilities:	<b>Room studio</b>	<b>Balcony</b> No	<b>Kitchen</b> Kitchenette	<b>Laundry</b> Not in a room Shared hotel laundry available
	<b>One-Bedroom Apartment</b>	Yes	Full kitchen	Yes
	<b>Two-Bedroom Apartment</b>	Yes	Full kitchen	Yes
Apartment hotel facilities:	3 × meeting rooms (8 people in each) 1 × conference room (60 people) Gym (accessible 24 h) Sauna (accessible 6 am–10 pm daily) Swimming pool (accessible 6 am–10 pm daily)			
Market mix:	80% corporate/20% leisure travellers			
Staff:	5 × full-time; 3 × part-time; 12 × casual			
Reception operating hours:	6.30 am–8.30 pm daily			
Occupancy prior to COVID-19:	75% occupancy			
Average daily rate (ADR) prior to COVID-19:	\$185			



**Fig. 3.3** Palmerston Accommodation Alliance properties in Western Australia

travellers and 20% leisure travellers. At the end of March 2020, Mullaloo Wharf Apartment Hotel lost 95% of all its forward bookings for the next 12 months. Even with the loss of most of the revenue and bookings, the apartment hotel was committed and decided to continue to operate during the COVID-19 pandemic, unlike a number of competitors who chose to close their doors.

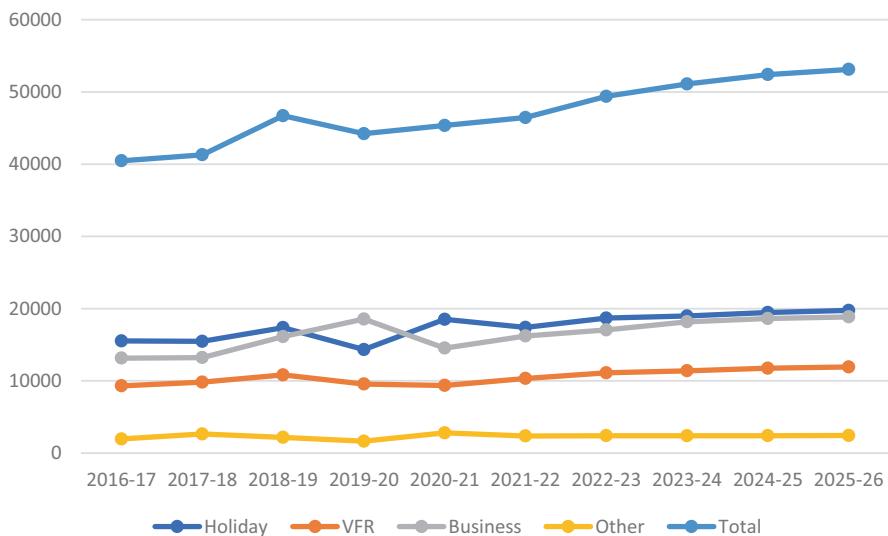
## **Environmental Scanning: External and Internal Environments**

### ***Tourism in WA***

Like the rest of Australia, tourism in WA is slowly recovering post-pandemic. During the pandemic, the WA tourism market was buoyed by the intrastate travel market with many Western Australian's taking the opportunity to travel within the

state rather than outside it. Tourism, at all scales, is recovering. International tourism is at 46% of pre-pandemic levels, with growth in a number of nontraditional markets, such as India, Singapore, and New Zealand (Tourism WA, 2022a). Interstate travel is also recovering well and is actually exceeding pre-pandemic levels by 28%. Collectively, domestic and international travellers totalled 9.9 million in the year ending June 2022 and spent approximately \$11.2 billion in the state. While this visitor spend is still 17% behind pre-pandemic levels, it is better than the 30% decline across Australia as a whole (Tourism WA, 2022b). Figure 3.4 does show continued growth across all trip categories into the future, with the holiday category expected to grow towards 19,000,000 visitor nights and the business category slowly increasing to 18,000,000 visitor nights by 2023–2024 (Tourism Research Australia, 2022).

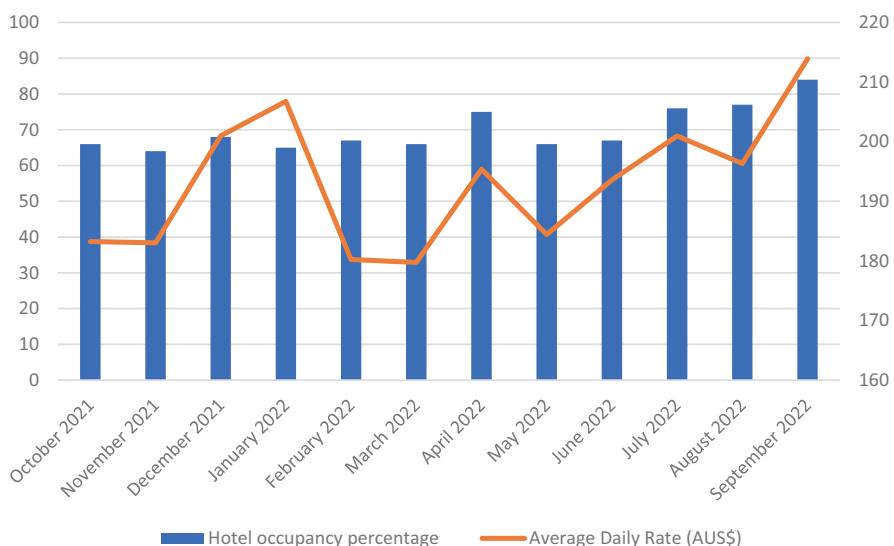
Western Australians, and Australians in general, were travelling to the regions, and they continue to do so (Deloitte, 2022). As a result of international travel bans and closed WA borders during the pandemic, Western Australians have been exploring the regions and are likely to continue to do so. Stays within the Perth Metropolitan area are still well down on pre-pandemic numbers, and renewed approaches are needed to recoup demand from domestic and international market segments (Deloitte, 2022). Although WA hotels are currently experiencing an average of 60% occupancy rates (Schlesinger, 2022), there has never been greater uncertainty in the tourism and accommodation industry as to how consumers of all types will behave into the future.



**Fig. 3.4** Visitor nights ('000) as per trip category for Western Australia, including current data and future projections. (Adapted from Tourism Research Australia 2022)

Over 12 months from October 2021 to September 2022, hotel occupancy rates in Perth averaged around 65%, with peaks experienced during school holidays (Fig. 3.5, Tourism Western Australia, 2022c). The largest peak was 84% occupancy for September 2022, which was the start of the Term 3 holidays in Western Australia. These peaks in occupancy have also corresponded with peaks in the average daily rate, with an average of \$193 over a 12-month period and a September peak of \$213.90 (Tourism Western Australia, 2022c). While Fig. 3.4 shows signs of recovery—it needs to be emphasised that as the peaks occur during school holiday periods (e.g. January, April, July, September), this recovery was likely due to the leisure and VFR market rather than business travel.

Compounding this delay in recovery for some aparthotels is the lack of staff availability. As the tourism and hospitality industry bore the brunt of lockdowns and social distancing requirements, many staff were let go as there was simply no work available for them. This was further exacerbated with many staff in these industries using this layoff to explore other industries that may offer better pay, conditions, and hours (Barker, 2022). Such was the issue in Western Australia that a new job listing website just for tourism and hospitality positions was established by the Australian Hotels Association in collaboration with Tourism Western Australia and the State Government (Barker, 2022). Lack of staff often leads to compromises in the distribution of labour, services offered, and time taken to complete necessary tasks.



**Fig. 3.5** Average hotel occupancy percentages and the average daily room rates of hotels within Destination Perth (which includes the wider metropolitan area) over 12 months from October 2021 to September 2022. (Adapted from Tourism Western Australian 2022c)

## ***Corporate and Business Travel***

After taking a big hit during the pandemic, corporate travel is showing signs of recovery. Businesses are continuing to embrace the ‘new normal’ and are reimagining corporate and business travel. The shift towards remote work during the pandemic has affected the return of corporate meetings, client visits, and conferences (Caputo et al., 2021). While companies in Australia acknowledge the importance of business travel and face-to-face meetings, there are two major issues preventing a full return of corporate and business travel: (1) some companies are holding onto some of the cost savings brought by the pandemic pause; and (2) companies have become more conscientious about their environmental impact, carbon emissions, and climate change (Caputo et al., 2021; Carruthers, 2022).

Corporate Australia has also become increasingly concerned about reducing carbon emissions through controlled travel growth. This is not surprising as according to a recent report, more than half of Australians are becoming more conscious of their environmental impact, and 44% consider an organisation’s environmental initiatives ‘very’ or ‘extremely’ important when engaging with them (Bakan, 2022). As a result of nearly 2 years of virtual-only meetings and events, technology and behaviour changes are supporting the bottom-line and environmental priorities of many organisations (Caputo et al., 2021). Indeed, through the use of technology for meetings and collaboration, certain trips have been reduced or will become redundant, as these platforms continue to evolve to better meet some of the needs that were once met by travel.

The corporate and business travel sector in Western Australia has not fared as well and is one of the slowest sectors in terms of recovery, as there is still a 53% reduction in business-related travel (Tourism WA, 2022b). While the Sydney and Melbourne business travel markets are faring better than WA (Schlesinger, 2022), recovery of the segment as a whole is likely to take longer than the leisure market. As a result of the cessation of business travel due to the pandemic, many businesses have reassessed their need for business travel. Particularly given the widespread acceptance of virtual meetings, sustainability concerns, and rising costs, many businesses are looking to save on business travel by either not doing it or renegotiating contracts with suppliers for greater flexibility and savings (Deloitte, 2022). As such, hotel and accommodation providers that rely on the international and corporate/business travel segments will continue to face uncertainty during the post-pandemic recovery period.

In order to help grow the occupancy rates in Perth, the Accor hotel group has called on the Western Australian State Government to become an active participant in post-COVID recovery by seeking out and attracting major events and conferences to Perth. These types of events have large potential for revenue generation, but the landscape for these events across Australia is very competitive (Hospitality Net, 2022). Attendees to these large major events and conferences would likely favour stays at aparthotels, given these types of events often involve multi-night stays and having the capacity to prepare simple meals and/or undertake work during their stay

would be welcome. However, similar to the business travel sentiments shared above, these events, particularly conferences, are still slow to establish full face-to-face events due to lack of available funds and ongoing concerns regarding travel.

## ***Internal Environment***

As noted in the section on apartment hotels above, the operational aspects of aparthotels differ from running a more traditional hotel—apartment hotels often lack services that a traditional hotel might have. This poses some advantages and disadvantages. An apartment hotel is more efficient in terms of both setup and operational requirements as compared to a full-service hotel as it uses fewer staff and supporting amenities (Greenberg & Rogerson, 2015), which is, indeed, the case for Mullaloo Wharf Apartment Hotel. As indicated in Table 3.1, the apartment hotel employs five full-time, three part-time, and 12 casual staff members. It should be noted that there is a significant overreliance on casual staff, which adds into the operational uncertainty. For example, due to the increased demand for hospitality workforce across WA, casual employees can pick and choose where they want to work (e.g. better salary, better hours, distance to their home). Casual employees can notify at short notice that they are unable to work, or they could, potentially, be unavailable for work more regularly than full-time or part-time employees, which is particularly inconvenient for apartment hotel managers who plan their work schedule ahead based on the guest arrival and departure numbers. Another point of difference between apartment hotels and traditional hotels is the exit strategy. It is clear that serviced apartments have a relatively straightforward business exit strategy, since individual apartments may be sold to retail buyers in a way that is not permitted by hotels (Henderson & Smith, 2012). This exit strategy was certainly on the minds of many seasoned hotel apartment operators; yet this was not an option for Mullaloo Wharf Apartment Hotel, who only relatively recently opened.

In 2022, the market size, measured by revenue, of the serviced apartment industry was \$1.0bn, whereas market size growth was at 12.1%, suggesting that there is quite a competition within the market (Ibis World, 2022). As such, apartment hotels, such as Mullaloo Wharf Apartment Hotel, would often need to engage in competitive and demand analyses to ensure they are on track. The purpose of an apartment hotel competitive analysis is to determine the property's strategic position in the market by assessing competitors' strengths and weaknesses. Aparthotels use competitive analysis to benchmark the local market in order to find their competitive advantage and ideal pricing position. It further allows an aparthotel to determine their product and service offerings (Doherty & Lew, 2020). As the serviced apartment sector continues to grow, the managers of the apartment hotel also need to perform demand analysis. Demand analysis is the research conducted by apartment hotels with the goal of understanding customer demand for their services. Demand for apartment hotels can be measured by different variables from different perspectives, for example, guest arrivals, the number of rooms sold, occupancy rates, sales

revenue, revenue per available room, and profit per available room (Wu et al., 2017). Apartment hotel managers typically use demand analysis to determine if they can enter the market, test a new service or product (e.g. a packaged deal), and forecast profit.

### ***Manager's Dilemma: What Are the Next Steps in the Post-COVID Disruption?***

The General Manager, Amanda, was desperately looking at implementing various strategies based on the news that all international borders would be closed until further notice. There was also uncertainty about the closure and management of the Australian state borders. The pandemic created an unprecedented environment—the information about new regulations and restrictions was coming at short notice. Information was also inconsistent at times and difficult to find. Below are some of the key regulations that had a direct and immediate effect on the Mullaloo Wharf Apartment Hotel:

- On 24 March 2020, Amanda was hit with the news that anyone arriving in WA would be required to self-isolate for 14 days, which essentially meant the loss of all international and interstate visitors.
- On 27 March 2020, the Federal Government announced that all international travellers arriving in Australia after 11:59 pm 28 March 2020 would be forced into a 2-week isolation period in a hotel (Mills, 2020).
- On 1 April 2020, regional border restrictions were implemented across WA, restricting travel between regions to essential services only (Laschon, 2020). This significantly affected the apartment hotel, as it essentially meant the loss of intrastate market as well.
- On 5 April 2020, WA closed all state borders, strengthening the previous border rules, and all arrivals were required to isolate in hotels for 14 days (Laschon & Trigger, 2020). WA borders remain largely shut to most of the states, except Tasmania (until 20 December 2021).

Amanda was very concerned about the immediate loss of business and its reliance on interstate travel while knowing they had a financial commitment to forthcoming fixed operating costs. With this, she called upon Justin Hsu, the Business Development Manager, to present strategies for both sales (revenue driven) and operations (cost mitigation) for the next few months. These considered the border restrictions that were in place at the time, which were continuously changing as the seriousness of the pandemic escalated. While there was a financial obligation of the General Manager to meet rent payments and fixed outgoings, there was also an emotional side to all decisions made as they impacted staff and their continuation of employment during this time. Based on Justin's presentation, the decision was made to convert the apartment hotel into a designated quarantine hotel under the

Government of Western Australia, Department of Health's hotel quarantine program. This decision allowed the apartment hotel to maintain skeleton staff.

Mullaloo Wharf Apartment Hotel ran as a quarantine hotel for over a year from 1 July 2020 until 30 November 2021. During this time, the apartment hotel mainly hosted interstate travellers who needed to quarantine for the 14-day period. After 2 weeks of deep-cleaning and upgrade to some facilities (mainly, gym and café), the apartment hotel reopened to public on 15 November 2021. Some positive news regarding the state's borders were announced in the following months:

- On 21 February 2022, Australian border reopens for the first time in nearly 2 years. Travellers can enter all states, except WA (BBC News, [2020](#)).
- On 3 March 2022, WA borders reopen to domestic and international travellers, and restrictions start to ease (WA Government, [2022](#)).

The hotel was again facing the dilemma in regard to its marketing mix. An attempt was made to restore the structure of 80% corporate/business travellers and 20% leisure travellers; however, Justin soon realised that there are not as many corporate travellers, especially as the WA border remained firmly shut from the rest of Australia until 3 March 2022. Some intrastate travellers were also deterred from staying at Mullaloo Wharf Apartment Hotel because of it previously being a quarantine hotel. Although corporate travel has rebounded sharply, with the Australian market sitting just shy of 90% of pre-pandemic levels in August 2022 (Carruthers, [2022](#)), due to prolonged border closures, rising ticket prices, and significant flight disruptions, this increase has mainly been seen in the eastern states of Australia (Victoria, New South Wales, and Queensland), with WA lagging significantly behind. Justin is yet again faced with a dilemma of determining the future directions of Mullaloo Wharf Apartment Hotel post the COVID-19 disruption.

## Discussion and Questions

Although travel and tourism are growing—travel for business is slower to recover than other forms of tourism. Considering the economic hit that many organisations experienced as a result of COVID-19 shutdowns and border closures, many organisations may not see business travel as a necessary expenditure during post-COVID recovery. Tourism Research Australia ([2022](#)) highlighted three key factors as to why business travel is still largely constrained. Firstly, modern technology and the rise of electronic/video meeting software have allowed meetings to shift from in-person to virtual, meaning many meetings that may have required travel have now been shifted to the online environment. Secondly, while leisure travel was considerably limited, business travel deemed essential was still able to be undertaken during the pandemic. As such, this essential business travel may represent the new demand levels for the near future. Finally, most, if not all, business travel is time dependent. And while lockdowns and quarantines may be a thing of the past—delays in flights

as a result of staff shortages and plane maintenance issues are an all-too-common occurrence post pandemic (McGuire, 2022).

Given that the Mullaloo Wharf Apartment Hotel has based its market mix on 80% business/corporate travellers and 20% leisure travellers, consider the questions below. Use the information presented in this case study, along with additional research to identify the future strategic direction the apartment hotel should take, post COVID-19:

1. What are the predominant target markets of apartment hotels based on their characteristics? How does the impacts of COVID-19 on the various travel markets influence the choice of target markets?
2. What information does the Mullaloo Wharf Apartment Hotel need to collect, collate, and analyse in the external and internal environments to determine its future strategic direction? Consider:
  - (a) What is the current position of the Apartment Hotel, taking into account the current COVID-19 conditions?
  - (b) What should be the apartment hotel's intended future position?
  - (c) What does the apartment hotel need to consider in the external environment in order to get to this intended position?
3. Based on Porter's generic strategies, evaluate and reflect on the influence on external disruptions, such as COVID-19, and determine what should be the recommended strategy the apartment hotel adopt to reposition the business post COVID-19 and why?

## Conclusion

This case study explored three key concepts—apartment hotels, Porter's generic strategies, and organisation's external and internal environments—in the context of Mullaloo Wharf Apartment Hotel. The case study provided an in-depth understanding on the state of play of running an aparthotel during and after a disruption, such as the COVID-19 pandemic. The purpose of this case study was to understand the operation of aparthotels and how it differs from running a more traditional hotel, assess the internal and external environments, and develop strategic directions using Porter's generic strategies as a framework. Although corporate travel is rebounding in Australia, Mullaloo Wharf Apartment Hotel continues to face hurdles associated with the aftermath of prolonged WA border closure, negative perceptions of quarantine hotels, as well as uncertainty in domestic airline industry (e.g. flight cancellations, and increased prices). This case study used Porter's generic strategies as a guiding tool for Mullaloo Wharf Apartment Hotel to respond to the emerging challenges and disruptions in the external environment. The generic strategies might provide a lens through which Mullaloo Wharf Apartment Hotel will be able to better understand their strategic direction, particularly in terms of the market mix.

This case study also highlighted the need for apartment hotels to engage in competitive and demand analyses to keep abreast of the changes in the internal and external environments.

### **Additional Material**

Deloitte Tourism and Hotel Market Outlook (Edition 1 2022)—<https://www2.deloitte.com/au/en/pages/consumer-industrial-products/articles/tourism-hotel-outlook.html>

Australian Hotels Association Western Australia—<https://www.ahawa.asn.au/>  
Economic analysis of the tourism sector in the City of Joondalup—<https://economy.id.com.au/joondalup/tourism-value>

## **Teaching Note**

### ***Case Summary***

COVID-19 has disrupted the accommodation business across Australia and indeed the world. Western Australia (WA) has been significantly impacted by the closures of the interstate and international borders. Essentially, with a very few, scattered, and short-term exceptions, WA was disconnected from the rest of Australia and the world from 28 March 2020 until 3 March 2022 (BBC News, 2020). The measures taken to stop the spread of COVID-19 have had an extraordinary effect on accommodation businesses, including Mullaloo Wharf Apartment Hotel. An apartment hotel or aparthotel is defined as a serviced apartment complex that uses a hotel-style booking system (Greenberg & Rogerson, 2015). Aparthotels are usually fitted with a full kitchen or kitchenette, a separate living space, a separate bedroom (or several bedrooms), washing machine, and dryer. Like any other accommodation providers, apartment hotels must keep abreast of changes and developments in the internal and external environments.

Mullaloo Wharf Apartment Hotel was officially opened in October 2019 by Amanda Gilbert, the General Manager of the apartment hotel. Upon opening the property, Amanda and Justin Hsu, Business Development Manager, undertook market research and structured their operations around a market mix consisting of 80% corporate and 20% leisure travellers. Six months later, in March 2020, COVID-19 hit Australia. The apartment hotel entered into the agreement with the Government of WA to use their property as a quarantine hotel. The aparthotel mainly hosted interstate travellers who needed to quarantine for the 14-day period before being released into the WA public. This decision allowed the apartment hotel to maintain skeleton staff.

The agreement with the WA Government expired on 30 November 2021. The attempt was made to restore the structure of 80% corporate and 20% leisure travellers; however, Justin soon realised that there are not as many corporate travellers,

especially as the WA border remained isolated from the rest of Australia until 3 March 2022 (Carruthers, 2022). Some intrastate travellers were also deterred from staying at Mullaloo Wharf Apartment Hotel because of it previously being a quarantine hotel. Justin was yet again faced with a dilemma of the future directions of Mullaloo Wharf Apartment Hotel post COVID-19 disruption.

The case study provides an in-depth understanding on the state of play of running an aparthotel during and after a disruption, such as the COVID-19 pandemic. Indeed, the intended aim of this case study is to understand the effects of external influences, including disruptions like worldwide pandemics, on an organisation's strategic position and the need to reposition themselves post-disruption. Furthermore, the case study illustrates how to develop strategic directions using Porter's generic strategies as a framework. The case study does this by overviewing the basis for the assessment of Mullaloo Wharf Apartment Hotel's internal and external environments using PESTLE and SWOT analyses.

Information and data pertaining to the hotel presented in this case study are fictional, though they were influenced and inspired by challenges facing real-life apartment hotels. Data pertaining to WA tourism profile and corporate and business travel are factual.

## ***Teaching and Learning Objectives***

*This case study aims to address the following teaching and learning objectives:*

- *Critically analyse the characteristics of apartment hotels and how this influences the choice of target markets.*
- *Discuss the benefits of collecting, collating, and analysing data on external and internal environments in order to determine an organisation's current and future strategic position.*
- *Adapt and apply Porter's generic strategies to an apartment hotel to help them respond to an emerging disruption, such as the COVID-19 pandemic, in the internal and external environments.*
- *Propose and argue the case for which strategic direction recommendation would be most beneficial for an apartment hotel to reposition itself post disruption.*

## ***Target Audience***

This case study has been designed for second and third year undergraduate and graduate (master's degree) students in strategic management and marketing in tourism and hospitality as well as international business. The intent of the case study is

to develop students' understanding of how organisations need to be aware of and deal with change and challenges in external and internal environments. Specifically, how the collection and analyses of data on internal and external environments can facilitate the development of strategies to cope with challenges and change, and how, based on evidence, appropriate recommendations can be made to deal with the challenges presented. Students would be expected to develop a report similar to that produced by a consultancy to a business development manager at an accommodation provider.

## ***Teaching Approach and Strategy***

It is intended that this case study be used as an individual or group assignment to assess the unit learning outcomes relating to:

- Analysing the role of strategic planning for tourism and hospitality industries in relation to challenges in internal and external environments.
- Adapting strategies for tourism and hospitality industries to respond to challenges and disruptions in internal and external environments.

This would be via a report which students would complete as though they were a business development consultant and would include a review of the external environment by way of a PESTLE and/or SWOT analysis and discussion of Porter's generic strategies with a recommendation of the strategic direction the Mullaloo Wharf Apartment Hotel should undertake.

It is recommended that this case study is delivered in three sections. The first section should discuss the characteristics of apartment hotels. Through this discussion, students should review the differences between apartment hotels and traditional hotels. Further discussion should identify the intended target markets for apartment hotels, including the pros and cons of the various markets.

The second section should start by reviewing the importance of keeping abreast of changes and developments in internal and external environments that can and do influence the tourism and hospitality industry. Through this discussion, emphasis should be placed on the importance of collecting, collating, and analysing information regarding internal and external environments and their impact on the capacity to cope with disruptions and for forecasting.

The third section should focus on the need to develop appropriate strategies as per Porter's generic strategies. Having strategies means having options in order to cope with change and disruptions in internal and external environments. Students should be encouraged and be able to identify a range of strategies and support these with evidence from the case study, and broader literature.

The table below outlines the teaching strategy that can be used to address the discussion questions and concepts for each section (Table 3.2).

## ***Theoretical Perspectives to Guide Student's Discussion***

### **Apartment Hotels**

An apartment hotel or aparthotel is a type of hotel that provides self-catering apartments as well as ordinary hotel facilities. Aparthotels are usually fitted with a full kitchen or kitchenette, a separate living space, a separate bedroom (or several bedrooms), washing machine, and dryer. The working hours of the reception are usually limited, or sometimes there is no receptionist at all. It also often uses a hotel-style booking system (Greenberg & Rogerson, 2015). Traditionally, the difference between an aparthotel and a hotel was defined in terms of the length of stay, whereby a hotel would usually be booked for a short period of time, a day or two, perhaps even a week. An aparthotel would often be booked for much longer—2 weeks to over a month or more. However, this trend has changed in light of the emergence of Airbnb and similar peer-to-peer accommodation platforms in the last 10 years due to shifting guest preferences. Students could be asked to outline and discuss the various features of apartment hotels and compare them with the traditional hotels, in addition to identifying the types of markets that would benefit or be attracted to these features/characteristics.

### ***Environmental Scanning of Internal and External Environments***

The best decisions are those made with as much knowledge as possible. As such, collecting and analysing data on external and internal environments provide the management of an organisation with key information to help with decision-making, strategy formulation, and ultimately execution to achieve business success. While organisations have little to no influence over the external environment, it is still important to be aware of any changes in the external environment as changes affect customer motivations, drive demand, and affect the competitive environment in which organisations exist (Bowie et al., 2016). Conversely, examining the internal environment provides an indication of the aspect's organisations can control (to some degree)—such as employees, suppliers, and target markets. Understanding internal environments mean that organisations can leverage off what they do well and seek to minimise or mitigate what they don't (Bowie et al., 2016). Students could be asked to perform environmental scanning in relation to Mullaloo Wharf Apartment Hotel operations taking into the consideration the outlined factors within the internal and external environments.

**Table 3.2** Proposed teaching strategy

Section/ lesson	Discussion question	Concepts
Section 1 (30 mins)	<p><b>Q1. Apartment hotels</b></p> <ol style="list-style-type: none"> <li>What are the characteristics of apartment hotels that differentiate them from traditional hotels?</li> <li>What are the target markets of apartment hotels and what are the pros and cons of these markets?</li> <li>What are the benefits and drawbacks of apartment hotels pertaining to business travel?</li> </ol>	Apartment hotel characteristics Target markets
Section 2 (50– 60 mins)	<p><b>Q2. Organisation's internal and external environments</b></p> <ol style="list-style-type: none"> <li>Using the case study, respond and discuss the following questions to understand Mullaloo Wharf Apartment Hotel's potential strategic directions. Use additional materials to inform your response:           <ol style="list-style-type: none"> <li>What is the Apartment Hotel's current position?</li> <li>What is the Apartment Hotel's intended future position?</li> <li>How should the apartment hotel grow from the current position to the future position?</li> </ol> </li> <li>Outline and discuss the benefits of using SWOT and PESTLE models to review Mullaloo Wharf Apartment Hotel's internal and external environments.</li> <li>Produce a PESTLE analysis based on the information provided in the case study and the current tourism and hospitality situation in Perth.</li> </ol> <p><b>Q4. Influence of disruptions</b></p> <ol style="list-style-type: none"> <li>What can be learnt from disruptions, such as the COVID-19 pandemic in terms of adapting target markets in response to crises?</li> <li>Should businesses look for short-term wins or stay the long course when confronted with disruptions such as COVID-19?</li> </ol>	Environmental scanning PESTLE SWOT External environments Target markets
Section 3 (60 mins)	<p><b>Q3. Porter's generic strategies</b></p> <ol style="list-style-type: none"> <li>Use examples from real-world hotels and/or the broader hospitality and tourism industries to illustrate what is meant by Porter's generic strategies of:           <ol style="list-style-type: none"> <li>Cost leadership</li> <li>Differentiation</li> <li>Focus               <ol style="list-style-type: none"> <li>Cost focus</li> <li>Differentiation focus</li> </ol> </li> </ol> </li> <li>Choose one of your examples and discuss why it is and is not a good approach for the hotel/or business in the broader hospitality and tourism industries to take.</li> <li>Assess the aspects of Porter's generic strategies needed to successfully manage Mullaloo Wharf Apartment Hotel in today's environment. Illustrate your answer using examples.</li> <li>Propose and argue the case for which recommendation of strategic direction would be most beneficial for Mullaloo Wharf Apartment Hotel.</li> </ol>	Porter's generic strategies

## **Porter's Generic Strategies**

Porter's generic strategies have been extensively examined in business studies, including tourism and hospitality. The conceptualisation was first introduced by Michael Porter in 1980. Fundamentally, it defines how an organisation can create competitive advantage across its chosen market scope. The traditional conceptualisation outlines three generic strategies—cost leadership, differentiation, and focus. Further theorisation suggests the existence of four strategies, whereby focus strategy is further split into cost focus and differentiation focus. In a nutshell, cost leadership aims to minimise the costs associated with the provision of value (product or service) to a customer or client. Differentiation strategy aims to create unique or special products or services, in comparison to competitors or substitute products in the market. Cost focus strategy aims to minimise costs in a focused market, whereas differentiation focus strategy aims to position an organisation towards differentiation from other competitors/products within a focused market. In the context of this case study, Porter's generic strategies allow the apartment hotel to evaluate its options in terms of changing its current market positioning and how the apartment hotel could go about doing this. The students could be asked how Porter's generic strategies could be applied for Mullaloo Wharf Apartment Hotel.

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# Chapter 4

## Social Media and Crisis Communication: Managing or Creating a Crisis? Lessons Learnt from Hotel Amarilis



Marianna Sigala

### Introduction

Tourism is a highly vulnerable industry exposed to various and numerous risks, including economic, physical, sociocultural and political hazards (Sigala, 2011). Data indicating the worsening of climate change and the crisis trajectory in tourism suggest that the industry will be progressively affected by an increasing number of crises of high frequency, strength and severity (e.g. floods, hurricanes and other extreme physical phenomena, wars, terrorism, economic crises and viruses) (Avraham & Beirmann, 2022). In this vein, capabilities in crisis management and communication are vital for ensuring the tourism businesses' survival and competitiveness, since tourists will not travel to places and companies where they do not feel safe, secure and protected.

The recent COVID-19 crisis has reconfirmed and reinforced the essential role of building crisis communication strategies and competencies in the tourism industry. Because of its prolonged duration, global scale and multidimensional (i.e. economic, biological, environmental, socio-cultural) implications, the COVID-19 crisis has also provided us with many examples and lessons learnt on how tourism companies should and should not communicate during a crisis in order to address the crisis' impacts and avoid any detrimental effects on the company's reputation, image and stakeholders. In addition, happening during an era whereby social media has permeated all aspects of our lives, the COVID-19 crisis has also provided an 'opportunity' to better understand how tourists and tourism companies alike (should) use social media in crisis situations.

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By combining real-world insights with related literature, this case study discusses useful frameworks and provides guidelines on how to effectively integrate social media in crisis communication as well as align the latter with other business operations practices. The case study uses a fictional hotel to show the practical application and implications of theory related to social media and crisis communication strategy and practices. However, the case study is also inspired by real industry data and stories happening during COVID-19 in order to make it more realistic and practical.

The case study has three major learning aims: (1) to acquaint the students with relevant theoretical frameworks that can be used for developing and assessing crisis communication strategies and practices in tourism, (2) to provoke the students' critical and analytical skills for understanding the role of social media on crisis communication and its potential impact on consumers and (3) to highlight the need to use social media for crisis communication but also align and coordinate the former with other business operations, such as customer service, corporate responsibility and branding strategies.

To achieve these aims, the case study first analyses theories and literature from the fields of crisis communication, social media and crisis informatics. Students are required to reflect and use the theory in order to identify and debate how the fictional hotel has designed and executed its crisis communication strategy and which of its practices represent good and/or bad examples. Students should also come up with and suggest better ways to design and/or execute crisis communication strategies. In light of these learning aims, the case study aims to achieve the following four specific learning objectives:

- Develop the knowledge and understanding of appropriate theoretical frameworks for designing, executing and evaluating crisis communication strategies and practices.
- Elevate an understanding and critical skills in relation to the use and implications of social media on crisis communication.
- Develop capabilities in using and managing social media for crisis communication.
- Strengthen critical and analytical skills by identifying and debating bad and good practices as well as proposing better actions in relation to crisis communication, social media and multifunctional coordination between crisis communication and other business operations.

## Theoretical Background

### ***Crisis Communication in Tourism***

Crises are defined as unpredictable events that can disrupt an organisation's operations and threaten to damage organisational reputation (Coombs & Holladay, 2002). Coombs (2007, pp. 2–3) provided a wider definition of a crisis as 'the perception of

an unpredictable event that threatens important expectancies of stakeholders and can seriously impact an organization's performance and generate negative outcomes'. In this vein, the major aim of crisis communication is to reduce the risk perceptions of stakeholders affected by the crisis, establish an emotional attachment with tourists and persuade tourists to revisit after the crisis (Seeger et al., 2020). Hence, crisis communication takes place before, during and after the crisis, while it needs to consider all stakeholders of the company, including internal (e.g. employees) and external (e.g. customers and community). Nevertheless, in the current hypercompetitive world, repairing the stakeholders' well-being at the moment of the crisis seems to have become a much less important goal of crisis communication than its strategic goal to protect and build customer loyalty for long-term profits.

The stakeholders' perceptions of risk are frequently related to the attribution of responsibility of the crisis itself. Attribution is the organisation's ability to control an event and is linked with crisis responsibility or how much the organisation is to blame for the event (Coombs & Holladay, 2002). In general, the higher the attribution, the greater accommodation an organisation should provide through its crisis response; however, refusing, not responding to crises and/or not communicating at all are not good strategies at all (Coombs, 2007).

### **Crisis Communication: Matching the Type and Attribution of Crisis Responsibility**

Although a wide range of theories and approaches have been developed for understanding the company's responses to crises, two theories dominate tourism research (Ketter & Avraham, 2021): Image Repair Theory (IRT) and Situational Crisis Communication Theory (SCCT). All theories and research findings confirm that companies need to choose and develop a crisis response strategy that matches the type of the crisis and the attribution of crisis responsibility. By doing this, companies can generate a more positive reputation perception than by either providing no response or adopting a mismatched response (Avraham, 2021; Zizka et al., 2021). For example, when the origin of the crisis is external (i.e. the organisation has no control and responsibility over the crisis and the external risk affects everyone internally and externally to the organisation), then organisations should proactively use social networks to inform their wider audiences as well as try to reduce their uncertainty and negative feelings towards the event.

To help organisations construct appropriate strategic crisis response, the Situational Crisis Communication Theory (SCCT) has been developed based on an attribution approach (Coombs, 2017). By adopting strategic responses, organisations can achieve a variety of crisis management goals, e.g. lessening the threat of the crisis to public safety, managing the impacts on reputation and brand image, minimising economic losses and renewing the organisation after a crisis (Coombs, 2017). The SCCT suggests that a strategic response should cover three components:

- *Instructing information* explains the crisis situation to stakeholders;
- *Adjusting information* aims to assist stakeholders in coping with the crisis psychologically.
- *Reputation management* refers to the actual responses used by organisations to address a crisis, with the purpose of protecting the reputational assets.

For Coombs (2007), the first priority of crisis response is protecting stakeholders from harm, not protecting the organisation's reputation. Hence, for little to no attribution of crisis responsibility (e.g. natural disasters, COVID-19) and when a crisis affects public safety (e.g. COVID-19), instructional information, aiming to inform stakeholders how to protect themselves, is more important and should come before addressing reputational concerns (Coombs & Holladay, 2002).

Under the category of reputation management, the SCCT proposed four postures that included ten common strategies (Coombs, 2007); this categorisation was later updated to include two more categories of crisis communication response strategies (that were found to be adopted by the tourism industry), namely, enhancing and transferring (Coombs, 2017). Table 4.1 summarises these crisis communication strategies related to reputation management.

Research in the field of ‘image repair theory’ identifies response strategies that are very similar to the reputation management postures of SCCT, but the former tends to solely focus on strategies for repairing the image of destinations and not

**Table 4.1** Crisis communication response strategies for reputation management

Crisis posture	Crisis communication response strategies
Denial posture	<p><i>Attack</i> the attacker (or accuser): Confronts group or person that claims crisis exists</p> <p><i>Denial</i>: Denies the crisis exists</p> <p><i>Scapegoating</i>: Shifts the blame to another person or group outside of the organization</p> <p><i>Ignoring</i>: Where organisations implicitly state that a crisis does not exist by disregarding the crisis</p>
Diminishment posture	<p><i>Excuse</i>: Attempts to minimise organisational responsibility for the crisis</p> <p><i>Justification</i>: Minimises the perceived damage inflicted by the crisis</p>
Bolster posture	<p><i>Victimization</i>: Reminds stakeholders that organisation is a victim of crisis as well</p> <p><i>Ingratiation</i>: Praises stakeholders for their acts and reminds them of the past good works done by the organisation</p>
Rebuilding posture	<p><i>Corrective action</i>: Tries to prevent a repeat of the crisis and/or repair damages done</p> <p><i>Full apology</i>: Publicly accepts responsibility for the crisis and asks forgiveness</p> <p><i>Mortification</i>: Needs to apologise for an act</p>
New postures	<p><i>Enhancing</i>: Company provides follow-up information and asks for another chance in the future</p> <p><i>Transferring</i>: Uses a credible third party’s crisis response to transfer that third party’s credibility onto themselves; can be done by citing credible third parties such as the World Health Organization (WHO)</p>

Adopted by Coombs (2007) and (2017)

businesses (Avraham & Beirman, 2022). For example, Walters and Mair (2012) suggested nine common strategies to repair a destination's image: community readiness, solidarity messages, business as usual, celebrity endorsements, confidence restoration, misperception change, curiosity enhancement, short-term discounts, guest/visitor testimonials as well as spin of unsafe images into assets. Similarly, Beirman and Van Walbeek (2011) provided the following examples of recovery marketing for destinations: 'open for business', presenting the facts, creating complementary alliances (e.g. cooperation between hotels and airlines), restoring confidence, publicising the positive and reimaging the business and destination.

In general, image repair strategies used by destinations during image crises are divided into three broad categories (Avraham & Ketter, 2016):

1. *Source/media strategies*: used in order to influence the destination's media coverage patterns in one of the media outlets (e.g. developing media relations, blocking the journalists' access, threatening the reporters).
2. *Message strategies*: focus on tackling the essence of the place's negative image (e.g. acknowledging the negative image, initiating events and delivering a counter-message).
3. *Audience strategies*: aiming to create affinity to a specific audience (e.g. building audience resilience, using patriotism, appealing to a specific audience's values).

Research studying the image repair strategies adopted by destinations during past crises reveals that the most popular strategies concentrated on the message and then on the source/media, while audience strategies were found to be used the least (Avraham & Ketter, 2016; Beirman & Van Walbeek, 2011). Contrary to past research, a study (Ketter & Avraham, 2021) investigating the destinations' responses to COVID-19 found that audience-based strategies were the most popular strategies, source strategies were barely used, nor were the message strategies that usually focus on cognitive and rational messages.

### **Crisis Communication: Varying the Message and Focus Based on the Stage of the Crisis**

Research also shows that organisations should match and vary the message and focus of their crisis communication response depending on the stage of the crisis. During a crisis, communication should focus on promoting correct behaviour, reducing uncertainty and reassuring the audience (Reynolds & Seeger, 2005). In the post-crisis stage, communication should focus on providing updates about the situation and promoting a positive image of and/or repositioning the destination/company (Barbe & Pennington-Gray, 2020). Equally, research (Avraham, 2021; Ketter & Avaraham, 2021; Mele et al., 2023; Zizka et al., 2021;) investigating the response of tourism companies and destinations during the COVID-19 crisis identified three stages of the pandemic featuring different communication messages and goals:

- *Pre-lockdown:* messages communicating the readiness and resilience of organisations to combat the crisis.
- *During lockdown:* attacking and sanctioning journalists, mitigating the severity of the crisis, shifting the blame of the cause of the crisis to others, turning negative impacts into positives (e.g. time to reflect and slow down), communicating longing and nostalgia and the promise for future visits (e.g. ‘until we meet again’, ‘stay home today, travel tomorrow’), expanding and/or refocusing the offering and values of the destination (e.g. more authentic experiences, travel responsibility), messages diffusing emotions of hope and/or inspiration ('dream now, travel tomorrow') and brotherhood ('we are all connected', 'we are here for each other').
- *After lockdown:* messages stressing the adoption of COVID-19 safety protocols and a COVID-19 safe destination, patriotic and nationalistic messages incentivising tourists to visit in order to support the locals.

## Social Media and Crisis Communication in Tourism

The use of social media in crisis communication during and after an event has become fundamental in any tourism crisis situation (Barbe & Pennington-Gray, 2020; Sigala, 2011). Due to the viral effects and the speed of information spread on social media, social media is a cost-effective communication vehicle enabling organisations to reach a large scale of an audience at a global and local level in a timely and cost-efficient way. Social media is also widely adopted in society: people use and also expect businesses to use social media to assist in all aspects of their social and work lives; people are also 'always on' even when they are travelling or mobile. Consequently, organisations can use social media to reach people at any time, any place and any device in order to timely distribute localised, continuously updated and real-time information about the crisis. Indeed, the provision of continuous and real-time information to people in need and/or to people combating the crisis is one of the most critical factors of effective crisis management (Sigala, 2011).

Because of their interactive communication features, the literature also stresses the need for organisations to use social media in order to support and engage in dialogic crisis communication with their customers. In social media, people are not passive receivers of information anymore; instead, they participate in two-way communications. People can post their own experiences of the crisis as well as share critical crisis-related content in order to help others and/or the organisations to combat the crisis. For example, Barbe and Pennington-Gray (2018) found that people used Instagram to show empathy in a time of crisis (i.e. terrorist attack) by posting and sharing messages expressing sadness, sympathy and concern but also calling for social unity. Dialogic communication further offers the opportunity for organisations to go beyond the immediate objectives during a crisis (which are usually oriented towards reputation repair and crisis mitigation) to a communication process that is more meaningful and more beneficial to stakeholders in the long term

(du Plessis, 2018). As an orientation, dialogue is comprised of five key features (mutuality, propinquity, empathy, risk and commitment), and so Kent and Taylor (2002) suggested that organisations using social media for stakeholder engagement should design their crisis communication based on five operational principles: dialogic loops, ease of interface, conservation of visitors, generation of return visits and usefulness of the information.

Research also shows how to design social media (gamified) applications in order to use people as ‘sensors’ for collecting and sharing critical information that can help organisations to identify, get alerted of and/or forecast potential risks (Lwin et al., 2018). For example, divers in the Great Barrier Reef can use a mobile app to upload and share their underwater photos with public agencies monitoring the bleaching of the corals in order to help them identify potential risks in the reef ecosystem. In short, social media has created the conditions for individuals to become active participants in crisis communication by either co-creating or co-destroying value (e.g. when people disseminate false, fake or misleading information) in combating crises. Crisis informatics is a fast-emerging and booming field of research investigating the networking and collaboration affordances of social media in supporting the crisis management and communication strategies of organisations (Sigala, 2011).

Overall, the interactive and dialogic communications enabled by social media between individuals and companies, as well as amongst individuals, highlight two major issues that organisations should consider when embedding social media into their crisis communication strategies:

1. How to harness the potential of social media platforms to not only repair or restore the image of the organisation in the short term but also to engage in a long-term process of relationship renewal with customers and other stakeholders.
2. How the organisation/brand can effectively participate in this crisis communication dialogue by monitoring and responding to user-generated content (UGC). UGC can be supportive but also detrimental in crisis management. For example, UGC can generate and/or disseminate conspiracy theories about COVID-19, while the sentiment of social media posts can show empathy and brand love to an organisation under a crisis as well as co-destroy its reputation and image. Hence, it is critically essential that tourism companies monitor and understand the type and impact of UGC as well as participate in online dialogues not only for marketing purposes but also for crisis communication (Obembe et al., 2021; Sigala, 2011).

Recent studies provide some more in-depth insights into how companies can best design their social media posts and effectively participate in online dialogues for crisis communication.

In investigating the consumers’ reaction to tourism companies’ responses to the COVID-19 crisis, Li et al. (2022) found that the inclusion of the following specific linguistic features in the social media posts of companies reinforced positive emotions amongst tourists: assertive language (e.g. use of verbs to direct receivers to specific behaviours ‘come and join us’), pronouns (e.g. use of pronouns like we and

our instead of I) and argument quality (e.g. concrete, clear and evidence-based arguments, use of authorities to verify information).

In evaluating the impact of companies' YouTube videos during COVID-19, Xie et al. (2022) found that the videos getting positive reactions/engagement from the users included two specific features: emotional appeals and social support. Emotional appeal (featuring more subjective and emotional expressions or other emotion-eliciting strategies) has been used in advertising and marketing communications for long (Bhahia, 2019). This is because emotional messages attract increased people's engagement, which in turn enhances the receivers' recall and acceptance of the emotional message, and so, it facilitates learning and directs human behaviour to desirable actions (Coleman et al., 2020; Wright et al., 2008). For example, emotional ads on Facebook increase people's memory and user engagement and boost adoption behaviour (Noel et al., 2018). Overall, driven by people's unconscious mindset or feelings, messages with emotional appeal have greater persuasive power. Social support is defined as 'verbal and nonverbal communication between recipients and providers that reduces uncertainty about the situation, the self, the other, or the relationship, and functions to enhance a perception of personal control in one's life experience' (Adelman, 1988; p. 185). Social support is a widely used strategy in crisis communication because it helps buffer against stress, which refers to any environmental, social or internal changes. Social support can be given in three types:

- Informational support, e.g. giving advice, guidance or information relevant to the situation.
- Instrumental support, such as providing aid or assistance.
- Emotional support showing and/or giving love and care.

Social support does not have to be implemented to be effective. Perceptions of the availability of social support are also sufficient to make a positive impact on people's well-being, as the perception alone can increase people's confidence in combating stress (Helgeson, 1993).

## **Context of the Case Study**

### ***Tourism, Greece and COVID-19***

As soon as COVID-19 was declared a pandemic by the World Health organisation (WHO) (11 March 2020), many countries started taking emergency measures to restrict the spread of the virus, including restrictions ranging from suspension of businesses and workplaces, closure of educational institutions to eventually banning civil mobility, travel by all means and imposing confinements and lockdowns. Greece was not an exception from COVID-19 and its impacts on civils, businesses and tourism ([https://en.wikipedia.org/wiki/COVID-19\\_pandemic\\_in\\_Greece](https://en.wikipedia.org/wiki/COVID-19_pandemic_in_Greece)).

COVID-19 cases were reported in Greece as early as February 2020, resulting in various local and temporary restrictions. With the mushrooming increase of COVID-19 cases, on 23 March 2020, the Greek Government announced restrictions on all nonessential movement throughout the country, while it gradually started closing its borders to other countries, banning flights and allowing only Greek citizens to return home. That featured the start of the first lockdown in Greece, which halted not only civic and economic activity but also tourism, which is a major source of income and employment in the country. The COVID-19 crisis and restrictions were effective in Greece from March 2020 until February 2022, when travelling/tourism went back to a ‘new’ normal. Table 4.2 summarises the major phases and measures affecting tourism in Greece during the COVID-19 crisis.

**Table 4.2** COVID-19 and tourism in Greece: brief overview of phases and measures

23rd March 2020	An official announcement of lockdown and restrictions to civil movement/gatherings, economic activity and travelling Start of the first lockdown
April 2020	Allowance of domestic traveling; some destinations were temporarily closed (e.g. Mykonos) after the reporting of the mass spreading of the virus as a result of tourists’ clubbing and entertainment activities Partial end of first lockdown allowing domestic tourism
Mid-June and 15 July 2020	Restrictions on entry for international travellers and British tourists were lifted respectively Travellers were subject to several requirements, such as a negative COVID-19 test 48 h before traveling and a 2-week quarantine should they be found to be positive for the virus The government has initiated various COVID-19 protocols, health and sanitary measures that tourism companies had to abide to, while it has designed specific accommodation providers to operate as quarantine venues for infected tourists The level of tourists’ arrivals in Greece from June to October 2020 was very low and well below the arrivals’ levels in 2019
7 November 2020	A second wave of a new version of COVID-19 was spreading around followed by the announcement of a second lockdown taking place from 7 November 2020 to 14 May 2021
From March 2021 onwards	Greek Tourism Minister Harry Theoharis announces that Greece aims to open to tourism on 14 May 2021 22 March 2021—the start of the easing of the COVID-19 restrictions 9 April 2021, the UNWTO approves Greece’s proposals to restart tourism and adopts them as recommendations for its member-countries Restrictions on domestic and international traveling were gradually lifted and traveling was facilitated with COVID-19 vaccination certificates and COVID-19 traveling passports COVID-19 hygiene and health protocols were still required at businesses (e.g. social distancing, cleaning measures) Tourism in Greece during the 2021 season boomed; tourist arrivals far exceeded the levels of 2019, destinations were overbooked, professionals and academics talking about the return of overtourism and ‘revenge tourism’

Source: Adapted from <https://news.gtp.gr/covid-19-impact-on-greek-tourism-timeline/> (Accessed 18 Dec 2022)

## Amarilis Hotel

Amarilis Hotel is a three-star property located on Naxos, one of the most popular Greek islands. It is a family-run medium-sized business featuring 41 rooms, a breakfast dining room and a café bar by the swimming pool. It operates only seasonally (from May to late October), welcoming Greek but mainly international tourists from all over the globe since 1994. During its operational years, it has built a good reputation and loyal clientele. The hotel is operated by the owner (General Manager); the Marketing Director (MD), who is full-time employed and responsible for (online) distribution, marketing and sales/bookings); and 10–14 seasonal staff (full-time and part-time) during the summer operating period. Bookings and sales come primarily from online channels handled by the Marketing Director, who is also responsible for managing the social media presence and marketing of the hotel. Social media (Facebook and Instagram) represent a major and essential marketing tool for the hotel, as its marketing budget is small.

## Crisis Communication by Amarilis Hotel

At the beginning of 2020, when COVID-19 cases started to increase globally and in Greece, the hotel was in the preparatory stage for the coming summer season. The hotel had already secured numerous bookings, with a predicted occupancy of 40–50% around the Easter period (April–May 2020) and of 50–80% during June and July 2020. COVID-19 concerns were increasing, but nobody knew yet about how serious or not this virus was and what was going to proceed. During January 2020, the MD occasionally received very few e-mails from guests who were worried about their upcoming trip and reservations. As the crisis was escalating, the number of such e-mails increased to triple-digit numbers during February. At this stage, the MD decided to post a few messages on the hotel's Facebook and Instagram pages in order to calm down guests' worries and possibly eliminate the e-mail bombarding. To that end, social media posts were framed to inform guests that '... the hotel preparations for the 2020 summer season continue as normal' and that 'Amarilis hotel is looking forward to welcoming you back'. The posts were accompanied by photos showing the ongoing painting of the hotel façade and gardeners preparing the hotel garden and swimming pool area.

When COVID-19 was declared as a pandemic and numerous countries started severe restrictions and lockdowns, the number of guests' telephone calls, e-mails, messages and posts on Facebook and Instagram increased to a number that it was impossible for the MD to handle alone and on a timely manner. The MD used social media again with the hope of reducing the guests' anxiety to immediately get a response to their requests as well as relax their stress in terms of what will happen with their booking/money and/or how the hotel will handle the situation. Social media posts stated:

'... we will contact all guests with confirmed reservations in order to arrange for cancellations/refunds and/or rebookings'

'... given the severity and uncertainty of the situation, the hotel is relaxing all cancellation penalties and restrictions to existing bookings'

'...please be patient as we are experiencing a great number of requests'

As the COVID-19 crisis continued and lockdowns were extended at a global scale, the number of affected guests and their worries increased further. MD continued to post on social media with the hope of easing his workload with dealing with e-mails, rebookings and refund requests.

'... we will honour ALL confirmed bookings by allowing guests to cancel and refund bookings or receive a hotel voucher for future use; please e-mail us your preferred option and booking number and we will come back to you as soon as we can',

'...the hotel is financially robust to address ALL affected guests; please be patient for your request to be addressed'

Guests were getting stressed and frustrated as getting a response was taking a few days, despite the MS's hard work and messaging on social media. In fact, some guests were so impatient that they replied back to the hotel's Facebook posts with very negative feedback on the hotel's responsiveness and service. No response was given to these negative messages, as the MD did not even have time to monitor and reply to guests' online activity. In addition to these negative comments, two employees (who worked in the hotel for the last 4 years) also used the hotel's Facebook page to express their dissatisfaction and frustration with how they were treated by the hotel management:

'... how do you expect the hotel to handle and honour your bookings, when the hotel does not even care for its own staff! the hotel is promising rebookings, while it does not talk and tell its own employees whether we will have a job so, that the hotel can serve you when you arrive'.

It seems that the social media posts aiming to relax the guests really upset the hotel staff, as the latter felt that they were ignored. Indeed, the GM had failed to maintain communication with the employees and to keep them updated on whether and when they might start working. When the GM was informed about this post, he took the comment personally and responded to the employees' comments online: '... how do you expect me to tell you when you can start working when I do not even know when I will be able to open my hotel? Ask the Greek prime minister'. At this point, the MD realised that he is not solely responsible nor under full control for managing and addressing the COVID-19 crisis. He immediately deleted the comment posted by the GM, and he delicately tried to discuss with him that addressing the crisis required a careful and more holistic approach that considers and addresses the risks and anxiety of all the hotel's stakeholders, including guests, employees, suppliers and the local community.

It took about just over a month for the MD to address all the guests' issues in relation to bookings. It was now Easter, the lockdown was still going on and citizens were getting tired from the social isolation and inability to travel, while (tourism)

businesses and destinations heavily dependent on tourism were now experiencing the severe economic impacts of lockdowns on their business continuity and survival. There was a prospect, however, that the Greek government would soon cease the lockdown and relax the social distancing and mobility restrictions so that people could start travelling again. Indeed, although COVID-19 was still spreading around (with reduced rates), the economic pressures were stronger than the social and health imperatives, which in turn made numerous European countries (including Greece) lift some restrictions and allow travel (with certain conditions) from June 2020 onwards.

It was during the quiet period of the lockdown and under the context of the upcoming reopening of the tourism industry that the MD found the time to implement two major social media campaigns:

- One campaign focused on maintaining customer engagement, communication and interest even during the lockdowns with the long-term aim of ensuring future bookings; to achieve that, the campaign had two goals: to safeguard the loyalty of the existing hotel's clientele and to grow the (potential) guests' interest and aspiration to visit the hotel and the island in the future. For example, several posts included photographic memories of past hotel stays and events on Naxos to generate users' nostalgia and future intentions to (re)visit, while other posts included destination videos during the lockdown inviting guests to come back and enjoy the tranquility of the place. One of the posts invited guests to also share their memories and dreams in order to use the persuasive power of UGC to entice future demand.

'this is where you refreshed yourself a few years ago... until we see you again, stay safe'

'your home is always waiting for you. Amarilis hotel will wait for you'

'Dream Now; Experience Naxos Tomorrow'

'it's time to stop and reflect but do not forget; share your memories with us by posting your photos from Naxos'

- Posts were accompanied by hashtags such as: #TravelOffline #wearealltogether #StayHomeStaySafe #DreanNowTravelLater #ShareMemoriesShareDreams
- The second campaign had a short-term aim to boost bookings during the short remaining summer season after the announcement of the tourism reopening in mid-June. To achieve that, the campaign used the following: a social cause, e.g. emphasising that hotel stays will benefit the local economy and people who have been economically suffering due to COVID-19, and assurances of the hotel's compliance with COVID-19 health protocols and cleaning standards by providing evidence of COVID-19 safe certifications by the Greek Ministry of Tourism. Examples of social media posts included:

'support your loved island and people by booking a stay at Amarilis this summer'

'back the people of Naxos; they are waiting you with a smile. Book Amarilis and visit Naxos'

'we missed you.... Did you? Book now... we are back and COVID-19 safe, certified by the Greek Ministry of Tourism'

'remember the last time you visited us, when you discovered the treasures of Naxos? Every memory of this trip makes us smile; help us put this smile back in our face... book now and come to support and see us'

'behind every experience at Amarilis, there is a complete protocol for your safety'

- Some hashtags included: #TheTripContinuesSafely #WelcomeBack #BackNaxosBookAmarilis #LoveNaxosBookAmarilis

The MD was really happy to see a good response to his campaigns: people sharing photographs and videos from their previous visits, some bookings and travel requests and guests expressing favourite comments and aspirations to visit in the future. Due to the very low level of business during the tourism reopening, the MD was also happy that he could find time to interact and exchange messages of hope and compassion with former or potential guests. But then, something unexpected happened. The hotel's Facebook profile was bombarded by several comments posted by locals reporting the following:

- The hotel continuously refuses to join a local certification scheme for supporting the local gastronomy and food products of Naxos. Naxos features a strong farming community producing some special types of cheese, potatoes, sausages and other meat products. Instead of purchasing locally, the comments posted photos providing evidence of hotel vans uploading supplies from supermarkets.
- The hotel does not employ locals, while the majority of hotel staff comes from overseas.
- Local tour operators provide screenshots of the hotel website, offering guests discounts for renting a car from multinational companies instead of booking a local tour to explore the island.
- A local doctor referred to a recent function taking place at the hotel, which did not follow the COVID-19 protocols and resulted in becoming a COVID-19 mass spreading event—the doctor was frustrated by the number of locals being affected and overloading the local hospital that was understaffed.

The comments provided evidence of their claims, and they accused the hotel of corporate hypocrisy and 'marketisation of compassion'. The MD knew that claims were true, and although he could try to persuade the GM to change practices, he also recognised that because of the pressures to keep costs down (specifically after COVID-19), changing corporate procurement to support locals was impossible. The MD did not know how to react; denying the accusations was not possible as evidence was provided. Promising a corrective action was also not possible. The MD decided to disable the Facebook functionality so that users could not post comments any more. Although this was not the best solution (as it stopped the sharing of memories which was receiving good customer engagement), it was a pragmatic solution, as it could immediately stop the damaging of the hotel's image. However, this made locals even more furious by using other online channels (e.g. the Facebook

page of Naxos) to continue posting negative comments and criticising the hotel for boycotting them from the hotel's Facebook page. At that stage, the MD was really puzzled; on the one hand, he felt in trouble as he had to reassess his crisis communications strategies and practices; but on the other hand, he felt demoralised, as despite his good ideas, his efforts were ruined as a result of the mismatch with the hotel values and inability of the hotel staff to deliver on the hotel COVID-19 promises.

## Questions for Discussions

COVID-19 has been an unprecedented and prolonged crisis with multidimensional implications for all citizens, businesses and communities, including the tourism sector. Although there is a rich body of literature providing good theoretical underpinnings and industry insights on how to manage and communicate during a crisis, the nature, scale and duration of the COVID-19 crisis have made crisis management much more difficult and complicated for businesses to handle. The case study of Hotel Amarilis provides numerous examples of what can work or may go bad in crisis communication, specifically in the era of social media. You are required to reflect on the hotel crisis communication strategies and practices and discuss their effectiveness in relation to the theory based on the following questions:

1. Which would you say are the good and bad design elements of the crisis communication strategy and practices of the hotel?
2. Was the execution of the crisis communication effective? What worked and what went bad?
3. What would you have done differently in order to design and execute a better crisis communication strategy for the hotel?
4. What are the benefits and risks of using social media in crisis communication? What should a good strategy consider to effectively use social media in crisis communication?
5. Identify and discuss the role and impact of other business operations and strategies (such as social corporate responsibility, company values and culture, branding/advertising and operations such as customer service) on crisis communication.

## Conclusions

Crisis management and communication have become essential and critical capabilities for ensuring business survival and competitiveness during uncertain and turbulent times and within a highly digital world dominated by the speedy spread and high transparency of information generation and dissemination. This case study

reviews the related literature and provides industry insights in order to help students develop their knowledge and skills in designing and implementing effective crisis communication strategies and practices in tourism and hospitality that can also make effective use of social media. The case study demonstrates that badly designed and/or executed crisis communication can ‘create’ new crises instead of ‘solving’ a crisis. In addition, the case study enables the students to think critically of the interconnections between crisis communication strategies and other business strategies (such as customer service, corporate social responsibility, brand activism, brand reputation and authenticity, company values and purpose) and debate their implications on customers’ behaviours and effectiveness of crisis communication.

## **Teaching Note**

### ***Case Summary***

This case study reviews various theories (including crisis management, social media and crisis informatics, crisis communication, corporate social responsibility and brand authenticity) in order to identify theoretical frameworks and concepts that one should consider when developing and implementing crisis communication in tourism. The case study describes the crisis communication strategies and practices adopted by a fictional hotel during the COVID-19 crisis but which are also inspired by true industry facts. Students are required to critically reflect on theory and practical insights in order to evaluate the crisis communication strategies and practices of the hotel and identify good and bad elements of its design and implementation. The theory and case study emphasise the need to embed and use social media in crisis communication. The case study reveals various issues that social media in crisis communication should critically consider (e.g. monitor and appropriately respond to UGC, manage online transparency and the interrelations between brand activism, marketing and brand authenticity). Finally, the learnings from the case study enable students to understand that crisis management and communication require a synergistic and coordinated approach amongst various business operations and considering all affected company stakeholders.

### ***Teaching and Learning Objectives***

The case study provides students with the following opportunity to:

- Develop the knowledge and understanding of appropriate theoretical frameworks for designing, executing and evaluating crisis communication strategies and practices*

- *Elevate an understanding and critical skills in relation to the use and implications of social media on crisis communication*
- *Develop capabilities in using and managing social media for crisis communication.*
- *Strengthen critical and analytical skills by identifying and debating bad and good practices as well as proposing better actions in relation to crisis communication, social media and multifunctional coordination between crisis communication and other business operations.*

## ***Target Audience***

This case study is appropriate for both undergraduate and postgraduate students in hospitality and tourism programs. The case study helps students to better understand theoretical frameworks and concepts in crisis communication and social media as well as see their practical validity and implications in a ‘real world environment’. Specifically, for postgraduate students, the case study provides a fruitful context in order to develop their critical and leadership skills by reflecting on the interrelations and implications of crisis communication with important nowadays concepts, such as company purpose, brand activism and authenticity, corporate social responsibility and ethical/responsible leadership. In this vein, the case study is also suitable for class courses and/or topics related to: crisis management/communication, social media marketing, corporate social responsibility, cause /social marketing, ethical leadership and brand activism.

## ***Teaching Approach and Strategy***

It is recommended that at least two class sessions be dedicated to this case study.

The first session can focus on theory and practice related to crisis communication and social media, aiming to help students understand the theory and its practical application. The students would need to reflect on theory in order to identify and debate good and bad practices of crisis communication and social media and then brainstorm ideas for improvements addressing any limitations identified by the hotel insights. To better assess the hotel practices and generate ideas for improvements, the students can be guided to look at the additional examples of crisis communication that destinations and tourism companies have adopted during COVID-19 (included in Further Readings).

The second section can concentrate on the interrelations of crisis communication with other business operations and strategies and their implications on consumer behaviour (e.g. damage to brand authenticity and brand trust, company boycotts). Students would subsequently need to debate how to develop crisis communication that synergises with other business concepts and does not jeopardise the company,

its customers and its brand image and reputation. References provided in ‘Further Readings’ can provide extra reading material for students to understand and critically reflect on this aspect.

### ***Indicative Answers***

- 1. Which would you say are the good and bad design elements of the crisis communication strategy and practices of the hotel?***

Students’ answers should be able to distinguish between strategic and practical design elements (see Table 4.3).

- 2. Was the execution of the crisis communication effective? What worked and what went bad?***

Student answers could be structured and analysed in the following way (see Table 4.4).

**Table 4.3** Design examples of crisis communication strategies and practices

Design elements in strategies (conceptualisation of crisis communication strategies)	Design elements in practices (execution elements of crisis communication strategies)
Identification and distinction between the design of social media campaigns with short-term vs long-term goals	Students identifying the words, hashtags and the creative design of the social media campaigns and commenting on whether they are bad or good practices for achieving the strategic aims of the social media campaigns
Strategic thinking in crisis communication means that students identify and assess whether the company has considered and matched the (strategic) aims of crisis communication with the type, attribution and stage of the crisis	The hotel demonstrates different crisis communication strategies and aims at various stages of the crisis Crisis communication ignores employees Instrumental and adjusting information was included in crisis communication (students should provide related examples) The hotel had very poor and inefficient practices for executing hotel reputation (students give examples)
Strategic use of social media for enabling a dialogic process in crisis communication	Allow sharing of memories But has the hotel the staff resources (time and capabilities) and technological resources (applications/software) to monitor and appropriately respond to this UGC?
A strategic decision to use a social cause to design a crisis communication campaign to motivate bookings	But do the hotel practices and values/culture align with the social cause? Does the hotel walk the talk?

**Table 4.4** Good and bad practices executed at different stages of the COVID-19 crisis

Stage of the crisis	Good practices	Bad practices
Pre-lockdown	The proactive posts of the MD reassuring hotel guests that the hotel is still getting ready for the season Use of social media to calm down customer anxiety and request customer patience in getting answer	Insufficient human resources (MD solely responsible) to handle all customer communication offline (telephone, online social media and e-mails) Communications focused solely on guests ignoring other stakeholders, such as employees, partners, distributors and others affected
During lockdown	Social media posts that provided: Instructional information about how to change or refund a booking Adjusting information: Relaxing customers' anxiety that the hotel is relaxing cancellation penalties and restrictions for all bookings Emotional and support: Showing compassion and providing courage, empathy and connection between the hotel, the community and the guests Use of linguistic features in posts that used 'we', assertive language (verbs) and links to authorities, such as COVID-19 certifications obtained by the Greek Ministry of Tourism 'transferring response strategy' Multimedia content to 'entertainment' customers, and inspire them to dream and plan holidays for the future Response by the GM was deleted from the Facebook wall (but is this the best strategy or the GM asking for a public apology?) The social media campaign aiming to maintain customer communication, engagement and interest for ensuring future bookings and loyalty: Appropriate aim, content, words, hashtags, interactive two way sharing campaign	Lack of human resources to monitor and reply to guests' comments on social media ('ignore strategy') damaging the hotel's reputation and levels of customer service and care Inappropriate online response by the GM who 'attacked' the employee posting online and 'victimised' the company as being under the control of the prime minister 'shifting the blame to others'

(continued)

**Table 4.4** (continued)

Stage of the crisis	Good practices	Bad practices
After lockdown—Restart of tourism	The social media campaign aiming to boost short-term bookings through a social cause: Wordings, framing, hashtags of the campaign Messages stressing the adoption of COVID-19 safety protocols and certifications at the hotel ‘transferring response linking to official websites’ Messages demonstrating the strong recovery and restart of the hotel and its willingness to welcoming guests back Emotional messages with a social cause for incentivising tourists to visit in order to support the locals	Online messages report nothing about the COVID-19 situation at the destination and the compliance of other businesses with COVID-19 protocols; guests know the hotel is COVID-19 safe but they are also worried if the destination is also safe The philosophy and social values of the social media campaign to boost short-term bookings did not align and contradicted the hotel practices, strategies and values (e.g. procurement, staff recruitment, COVID-19 protocols, partnerships development), locking users’ ability to post on the hotel’s Facebook page and so spurring a greater online publicity and UGC in channels outside the control of the company

**3. What would you have done differently in order to design and execute a better crisis communication strategy for the hotel?**

Student answers could include the following strategic issues:

- Development and/or acquisition of human resources to handle social media. At the moment, MD is responsible for everything.
- Investment in technological capability (e.g. software, technology applications) to monitor and respond timely and appropriately to UGC.
- Develop an organisational culture but also strategy whereby everyone is co-responsible for crisis management to ensure a match between corporate values, purpose and practices with marketing messages and branding.

Students should also identify corrective actions in terms of executing crisis communication better. Such recommendations should focus on addressing the bad practices identified in Table 4.4

**4. What are the benefits and risks of using social media in crisis communication? What should a good strategy consider to effectively use social media in crisis communication?**

*Benefits:* quick dissemination of multimedia information to handle the crisis in an efficient and global way; two-way communications with customers; using customers as ‘sensors’.

*Risks:* information transparency (risks of revealing inconsistency in company practices vs. claims), false/fake information spread (e.g. COVID-19 conspiracy theories spread online), customer value co-destruction (e.g. customers spreading false information).

Social media requires a specialised/dedicated team of staff, appropriate technology investments and a social media strategy

**5. Identify and discuss the role and impact of other business operations and strategies (such as social corporate responsibility, company values and culture, branding/advertising and operations such as customer service) on crisis communication.**

The hotel not having the necessary level of staff to deliver on crisis communication strategies; the MD was responsible for everything (e.g. customer communication, bookings, social media).

Crisis communication messages and goals are not aligned with hotel practices and values.

Loss of brand authenticity and trust, increase of customer perceptions of corporate hypocrisy, customer boycotts and negative publicity and UGC, decreased employee morale and commitment to the organisation.

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# Chapter 5

## Sales Leadership in Tourism: The Case of Contiki Canada



Olivia R. Howell and Karen M. Peesker

### Introduction

When Sheralyn Berry, CEO of Contiki Canada, started to plan for her upcoming national sales meeting, she realised that her existing sales strategy was not going to work anymore. As she considered how to prepare for the expected future travel surge when the COVID-19 restrictions were going to be lifted, she realised she may need to adjust her current plan. Contiki's target market of travellers aged 18–35 (Generation Z & Millennials) was changing the requirements of her tour company quite dramatically, and this was impacting the purchasing model that was currently in place. Sheralyn and other Contiki executives realised that in order to sell their product to this target market, Contiki had to do business differently, and it had to start from the top of the organisation. The case that follows is based almost entirely on personal communication with Sheralyn Berry from an interview that was conducted in March of 2021 in order to capture the first-hand experience of a sales leader.

The Contiki target market of 18–35-year-olds had already moved away from the traditional modes of booking travel through travel agents and had transitioned to booking online. This move began earlier in North America than in other areas of the world, and as a result, Contiki sales teams in Canada had to work hard to build the relationship with the customer directly rather than work through the existing travel agent channel. This change to online booking prompted Contiki's competitive advantages through their specific young target market and the digital ramifications that came with targeting a younger audience. Contiki's sales force began to initiate contact through a variety of mediums, including phone, email and online messaging functions via the Contiki website, as well as through developing partnerships with

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universities and colleges to reach young travellers. These changes exhibited how much a successful sales team can impact a business and its stakeholders.

The purpose of this case study is to aid students in understanding that sales and revenue generation activities are critical components for the success of a business and that sales leaders and salespeople are key stakeholders in the success of a business. Furthermore, the case attempts to help students identify Contiki's competitive advantages and evaluate the benefits and costs of transitioning to a different sales process in a dynamic industry like tourism. This case will allow students to gain an understanding of the importance of top-down integration by leaders who were passionate about the CSP and who took the time to mentor, coach and train their salespeople.

## Contiki Tours: Organisational Overview

Contiki tours is a tourism company that caters to young travellers, with their target market being 18–35-year-olds. Contiki operates under the Travel Corporations family of brands and currently travels to every continent except Antarctica (Contiki, n.d.). Contiki is one of the most popular youth travel companies in the world as it offers 324 different tours in 76 countries. In the past several years, Contiki has carried over 150,000 young travellers worldwide (Contiki, n.d.).

The history of Contiki dates back to 1962 when John Anderson, Contiki Tour's founder, devised a plan to travel with a small group and explore Europe on a budget (Contiki, n.d.). Anderson purchased a minibus and gathered a small group of people to travel. After the trip, Anderson attempted to sell the minibus but was unsuccessful. As he was unable to sell the vehicle, he decided to promote his Europe trip once again (Contiki, n.d.). The second time around, he was able to fit two trips into the same summer season. These first few tours were booked by people between the ages of 19 and 29 (Contiki, n.d.). This was the beginning of the Contiki tradition: offering travel opportunities geared towards young travellers. In 1982, the company expanded and began offering tours within the United States. Later in 1984, it expanded further to Australia and then to Asia in 2009. By 2013, it was operating in Costa Rica and Ecuador, and in 2015, Contiki eventually made its way to Japan (Contiki, n.d.).

## Issues

The original Contiki sales strategy was geared towards classic cold calls and other more traditional selling approaches, but since then, the executive team realised they needed to make a change. Eight years ago, at the 2013 Contiki global conference, Contiki executives brought in experts to teach the Contiki sales force consultative sales methods. Contiki's global workforce learned this new way of selling over the

course of the 4-day conference. After the conference concluded, employees returned to their home countries and tried to apply what they had learned. This new approach to selling is a relationship-based approach and was set up to reverse the priorities of the traditional model of selling by spending more time building relationships and understanding the customer's point of view. This new model helped build stronger relationships with Contiki customers through three core principles: 1. focusing on the customer, 2. focusing on the solution and 3. being right isn't persuasive. The key aspect of their selling strategy is the follow-up, as the relationship doesn't end once the sale is closed. Contiki focused on putting their customers at the centre of their business by using the Consultative Sales Process (CSP).

The training program introduced at the conference continued to be taught at every global conference for the years to come, but problems arose as some teams in certain countries were hesitant to adopt the new practices. It cannot always be assumed that salespeople will adopt this new way of selling after only a few days of training as people often fall back into old routines once they return home. Sheralyn realised that the implementation of this type of training had to come from the top of the organisation or it would not be adopted at the rate that they hoped. Sales leaders, managers and executives needed to adopt the Consultative Sales Process for their sales force to follow them. If the managers did not support the new training, it would make it much more difficult for employees to continue these practices.

Contiki executives began identifying which leaders were most passionate about the application of the CSP and Sheralyn noticed it was primarily herself, the head of Contiki Canada, as well as the US sales leaders. Sheralyn began running regional conferences for the Canadian and American sales team with 2 days of the conference designated for CSP training. The training that was provided at the Contiki global conference started to become very expensive, which lead to one last training session for the executives of Contiki who were to become the new trainers of the CSP. The application of the CSP became a much simpler process when it was being implemented from the top down.

The decision point occurs when Contiki must decide whether to continue to use CSP to sell in a post-COVID environment and, if the structure of the CSP is maintained, what steps need to be taken to implement this strategy globally.

## Findings

### ***How It Started: Canadians Leading the Way***

Contiki Canada was known for being innovative within the global organisation. Initially, the sales organisation only consisted of eight sales leaders across the country and 60 leaders within the company. Contiki Canada is a vital and innovative branch as seen by their successful marketing campaign known as the #Noregrets adventure challenge in 2013 (Emmans, n.d.). It included videos from celebrities and

social media influencers about their global travel experiences, and viewers had the opportunity to win discounts and trips. This relatively inexpensive campaign reached over 90 million people and gave Contiki its biggest sales increase in 7 years (Kuburas, 2014). Contiki also determined that 35% of all its 2013 sales occurred within the 8 weeks the promotion ran (Kuburas, 2014). This idea was also shared with Contiki branches in other countries, and the message of travelling with no regrets became part of the Contiki brand and vision (Kuburas, 2014).

Contiki Canada's prime mission is marketing and selling tours throughout Canada to their target market of 18–35-year-olds. Their selling strategy is based on trust and relationship building through the consultative selling process. The sales organisation's main challenge is still attempting to adapt to the changing wants and needs of their young customer base. The sales team must understand the Gen Z and Millennial market and their unique values in order to sell to them. Contiki prides itself on putting their customers at the centre of the business. Contiki must adapt how they sell to their customers as it becomes more and more prevalent that the young demographic that they target is no longer using travel agents. As a result, the sales organisation needed to sell to their target market in a new way.

Since the president of Contiki Canada was passionate about implementing CSP into the sales organisations, the Canadian teams began focusing on the CSP more so than any other region. Canada's senior sales executives had been incorporating the CSP training into their sales approach ever since they received their initial training at the global conference in 2013. This ultimately led to senior executives creating new training programs. When Sheralyn became president of Contiki Canada, she noticed that the industry was evolving rapidly since 2013. These changes in the industry further amplified the need for new training programs to stay relevant within the industry.

Coming from a focused sales career, Sheralyn was familiar with the concept of adapting to customers' requirements. However, she realised that Gen Z's preferences were unlike any of the other customer segments she had worked with before. The main issue of the Millennial and Gen Z target market is their nontraditional approach to making purchases in the travel market. This market is turning away from the travel agent model and taking the booking process into their own hands. Sheralyn realised that the organisation needed to learn how to sell to this new type of consumer in order to survive. As a leader in the Canadian branch of Contiki, she began implementing these new training programs from the top, utilising coaching and taking the time to understand the consumer.

## ***How the Industry Is Changing Alongside Them: Small Group Adventure***

### **Travel**

It is no surprise that the group travel industry is popular among young travellers. This tour format allows young people to make connections during their travel, and it also redefines the idea of independent travel (Intrepid Travel, [n.d.-a](#)). Since its conception, Contiki has focused on bringing travellers together from all corners of the globe. The market for small group tours has been growing even more in recent years, with the goal to provide more sustainable, social and affordable trips to young travellers. Small group tours offer travellers the opportunity to engage with the people and places they visit. The traditional mass tourism model, in contrast, does not typically offer any of these kinds of opportunities.

The small group and adventure tour market is a fast-growing segment of the tourism industry. This market segment is dominated by Contiki as well as its competitors G-Adventures and Intrepid Travel, which also offers similar group tours. These competitors are not limited to Contiki's demographic, but many of them advertise trips that are catered to the same target market as Contiki's (Intrepid Travel, [n.d.-b](#); G Adventures, [n.d.](#)). As the industry evolved, Contiki's main competitors expanded to Airbnb or other online OTA's like Expedia. These types of online travel agents allow the traveller to be completely in control of their booking. There has been a visible change in the tourism industry overall as it moves away from the comfort of leisure and resort packages. More people want to appreciate the value of cultural exchange that is brought about through specialised small group travel (Discover Corps, [2016](#)). This market shift can be attributed to the changing values of youth travellers, who look for travel experiences that contribute to personal growth and cultural exploration (Cavagnaro et al., [2018](#)).

## ***Things Are Changing Worldwide: How the Global Brand Was Affected***

Due to the drastic changes being made in the travel and tourism industry to the COVID-19 pandemic, many international Contiki branches are having to look to different areas in order to sell to their target market. Contiki Australia had a very established relationship with the company Flight Centre as it was their number one sales channel used in the Australian region. Due to COVID-19, Flight Centre was required to close its doors, causing Contiki Australia to lose 80% of their sales channel overnight. This meant that Contiki Australia needed to rethink their model coming out of the COVID-19 crisis as it could no longer rely on Flight Centre to sell its product. Furthermore, in the UK, STA travel also closed its door during the COVID-19 crisis, which cut off 70% of the UK's sales channel. These closures, along with many

others, put Contiki sales teams all over the globe in the same position that Contiki Canada was in 7 years ago, when they had to rethink their sales process to reach revenue targets. The loss of sales channels for these regions have caused Contiki to need to reinvent themselves further because their largest sales channels are now gone. These travel agents closing operations support a growing trend of people moving away from this model for purchasing travel. As a result, the problem the business needs to address is how to reach and engage with the target market to sell the Contiki brand without any sort of intermediary.

### ***Contiki's Next Step: How Their Strategy Evolved***

Contiki's current strategy is to increase market share by providing high-quality group tours at competitive prices. To enhance Contiki's brand awareness and market penetration, the company focuses on working with university and college students to offer unique, targeted social travel experiences. By bringing young people together on their tours, Contiki gives their travellers the opportunity to gain fresh perspectives, meet new people, provide a hassle-free travel experience and immerse young travellers into local cultures.

Contiki differentiates itself through its youthful target market, as their core values are based on celebrating youth and seeing the world through young eyes. Fifty-five percent of their travellers join the trips as solo travellers, which gives them the opportunity to meet new people and create a social travel journey (Contiki, [n.d.](#)). Contiki's values are built around making moments count, connecting people and challenging travel norms, passion and adventure (Contiki, [n.d.](#)). These values are directly connected to the many values of young travellers which makes Contiki a clear choice for youth travellers. To further address the needs of their target market, Contiki realised that focusing on sustainability was key. As a result, Contiki embraced the switch to sustainable tourism for the betterment of the travel industry and the earth. Contiki recently announced that it will be 100% carbon neutral by 1 January 2022. This commitment is part of their five-point climate action plan, which also commits to reducing their carbon footprint and supporting the transition to a low-carbon future. Another aspect of the five-point plan is to source 50% of Contiki's energy usage from renewable sources by 2021 (Bonifas, [2020](#)). These parts of the climate action plan are part of Contiki's sustainability strategy known as "How We Tread Right" (Bonifas, [2020](#)). Contiki's commitment to sustainability comes from its obligation to the planet and to its target market which is known to value environmentalism and social justice. The introduction of these sustainable practices came from Contiki's commitment to the values of their target market.

Along with the promotion of sustainable travel on a variety of trips offered, Contiki also addressed the challenge of reducing plastic pollution (Bonifas, [2020](#)). Plastic items are clogging the planet's streams, rivers and oceans, which has a catastrophic impact on both mammal and marine life (Bonifas, [2020](#)). Unfortunately, the travel industry is a major contributor to the plastic problem, with travellers using

plastic products on a daily basis out of convenience. Contiki promotes change by encouraging their travellers to bring their own water bottles and refill them in accommodations and local areas.

Contiki has also differentiated itself by embracing the recent digital technology changes and creating a simple and hassle-free way of connecting with youth travellers. Their website is easy to follow, and travellers are able to book their entire trip through the site without going through a travel agent or other tourism and hospitality services. Eighty percent of their trips are booked directly through the website by the consumer with only 20% of sales in Canada coming from a travel agent. On many of the trips, accommodation and meals are provided through the booking, which allows travellers to book with no worries. Young travellers are experienced in the realm of digital society, which makes Contiki's online booking strategy the smartest way of reaching the youth demographic. Their website acts as a personal travel agent, making it easy to book directly through the site, thus decreasing the need for travel agents for this market.

As time has progressed, Contiki's customers have changed, and the businesses that Contiki used to partner with have moved from travel agents to tourism boards and universities and colleges. Many of these colleges work with Contiki through their alumni or student unions and work with the brand to provide discounts and promote Contiki content to their target market. Universities and colleges are prime examples of where Contiki's target market would be, which makes them an ideal establishment to market to. Along with colleges and universities, Contiki also frequently works with tourism boards like Tourism Ireland, Tourism Spain, etc. Tourism boards are eager to partner with Contiki as they want access to Contiki's customer base in order to present new campaigns. Other brands and businesses also partner with Contiki like Lolë yoga gear. Brands of this kind partner with Contiki in order to get access to Contiki's massive database and publicise their brand to their target market. This is beneficial to Contiki as now they now have access to Lolë's massive customer base, which often overlaps with their own target market.

Due to Contiki's concentrated marketing strategy, some specialisation occurs when designing their distribution channels, since Contiki only targets one specific market. Contiki's salesforce work in a B2C context and works to fulfill the end-user requirements of their travellers to facilitate a seamless buying process. Contiki's main distribution channel is their website, which includes all the information about products and prices. It is also a smart way of distributing its products, as its target demographic is the most technologically inclined generation thus far. Despite being able to book online, Contiki also has travel consultants and agents that work through their website that aid in the distribution of their products.

Contiki's sales agents, known as reservation agents, work through a variety of different mediums, including over the phone, email and 24-h online messaging service. These reservation agents ensure that at any hour of the day, if a call, email or online message is sent to Contiki, someone will answer. This 24-h service is managed by Contiki's global teams, who operate in all possible time zones. This service is available via the Contiki website and pairs website visitors with a reservation agent, who can walk them through the purchase of a trip and answer any questions

the customer may have. These reservation agents are trained with the Consultative Sales Program and encouraged to ask as many questions to the consumer as possible in order to truly connect and understand their situation. The training of these reservation agents using the CSP was vital. Sheralyn took the time to train them using the CSP after she noticed that many members of the team were rejected very high in the funnel and were not utilising the CSP in order to close the sale. Sheralyn realised that the personal coaching of the CSP was key to creating a successful sales organisation.

### ***No More Problems: Why CSP Worked at Contiki***

The Consultative Sales Process revolutionised the Contiki sales organisation, and it was successful for two main reasons in Canada:

The first reason was the sales leaders' passion for the CSP approach. This new type of selling and training was implemented from the top-down as the top sales leaders in the organisation were excited and passionate about this approach. If the executives of a company are not passionate about the new measures or training to be implemented within an organisation, it can be difficult to get employees motivated. The president at the time of implementation was very passionate about enforcing this type of selling, as well as the evolution of sales. When Sheralyn took over as President of Contiki Canada, she was passionate about maintaining the CSP as Contiki's primary selling approach, which was the main reason why CSP continued to work for the Contiki Canada team.

The second reason why CSP worked so well is the amount of training and coaching that was offered to the Canadian sales organisation. The training at the Contiki global conference was a part of it, but Canadian teams had more frequent regional conferences to solidify the CSP as the main selling approach. Sheralyn and her team also worked tirelessly to create new training programs as successful sales tactics can evolve quickly due to the dynamic nature of sales. The level of coaching that exists in Contiki is difficult to find anywhere else. When Sheralyn returned from the global conference, she spent 2 weeks every month on the road with her sales managers in British Columbia, Alberta and Ontario and shadowed them. She would accompany them on sales calls and meetings to evaluate them and discuss with her managers what she thought they were doing well and what could be improved upon. She would take the moments when sales managers excelled and when they needed improvement and worked with them to advance aspects of the sales process. The evaluation that she conducted spanned the entirety of the CSP funnel, with the goal to get sales managers comfortable with every aspect of it. This level of coaching and training led to sales managers feeling like their leaders cared about them and wanted them to succeed, which is an additional reason why CSP worked so well. Furthermore, training of this sort also allowed sales managers to get out of their comfort zone by contacting new partners, like tourism boards and universities. Contiki needed to reinvent themselves for a market that had moved away from travel

agents. The CSP training helped sales managers to get out of their comfort zone by pushing them to ask more questions, create more conversations and build better relationships with their clients.

## Contiki Tour Results

Contiki does not produce a public annual report; however, Contiki Holidays (Australia) PTY LTD provides some revenue-specific information. Contiki Holidays Australia had annual revenue of US\$23.14 million in 2019 and a total of 53 companies operating under the Contiki Holidays PTY LTD, based in Australia. Contiki's parent company, the Travel Corporation, had an annual revenue of \$133.38 million in 2019 just from their Canadian offices (Dun & Bradstreet, n.d.). Contiki employees do not possess the authority to release any public financial information, but Table 5.1 provides a brief numerical overview of the company in demographic and financial terms. See Table 5.1 for a concise layout of Contiki tour results.

## Discussion

### *What to Do Now?*

Now that Contiki has implemented the CSP and it has been successfully established through the proper training and coaching, what more can be done? Sheralyn must decide how to use CSP to enable Contiki to be ready for the post-COVID-19 travel environment.

Sherlyn Berry had some issues to work through. Firstly, she has to figure out how to continue selling to the target market of Millennials and Gen Z. What other strategies could be implemented into the sales team for them to understand the market? Secondly, Sheralyn and the sales department at Contiki have worked hard to implement CSP and it has been working well to enable their sales team to reach and understand their target market. Sheralyn wondered if she could help the other

**Table 5.1** Contiki results

Average booking price	\$2596
Average age of traveller	25 years old
Percentage of those that travel solo	50%
Direct consumer vs travel agency	80% vs 20%, respectively
Average trip duration	13 days
Male vs female travellers	40% vs 60%, respectively
FEEFO score (customer reviews)	4.6/5

Source: Author's own illustration

regions by using the insights that Canada had gathered in the process of fully embracing the CSP. How could she share this knowledge to help the other geographies, keeping in mind that they would have their own culture and local requirements that may impact the sales model?

Thirdly, she realised that her focus needed to be on the Canadian situation and to consider if she could move the CSP model to the next level. Moving forward, she considered if she should be hiring salespeople who fit the CSP model, or should they be looking for new people who are trainable? Furthermore, she wondered what new partners could be introduced to Contiki in order to stay relevant and what new channels can Contiki use to connect and engage with their target market? Partners and solid communication channels are vital for Contiki's brand to stay in the minds of their target market and reach those that would not be exposed to the brand on an everyday basis. In this new environment where the need and use of travel agents is decreasing, what new plan or strategy could be created in order for Contiki to be ready to sell once again in a post-COVID-19 environment. Sheralyn has worked hard to implement the CSP and must use it to her advantage in order to reach her markets and continue to innovate.

## Conclusion

In conclusion, the changing nature of the tourism industry and the wants and needs of Contiki's target market have led them to understand that they need to change the way they do business, especially coming out of the COVID-19 pandemic. Through the work put in by the Canadian sales team to implement the Consultative Sales Process, Contiki now has a successful sales process that puts their customers at the heart of their business. Contiki also began understanding that their target market was looking for sustainable travel options, which lead them in the direction of updating their business model. Contiki began working towards sustainable development goals in order to further connect with their target market and to stay relevant in an ever-changing industry. The sales leaders at Contiki were passionate about this sales process and wanted to see it through. Hence, Sheralyn worked hard to coach and train her salespeople to successfully implement this sales process in the Canadian branch. This change subsequently impacted how Contiki does business going forward, meaning that new choices must be made.

The tourism industry coming out of the COVID-19 pandemic is very fragile and needs to be navigated with extreme care in order to ensure that they maintain its position as a top travel company in the years to come.

## Teaching Note

### Case Summary

Since the 2013 Contiki Global Conference, the President of Contiki Canada, Sheralyn Berry, began to integrate the Consultative Sales Process within Contiki sales teams in order for the company to successfully sell to their target market of 18–35-year-olds. The case discusses details of Contiki's selling practices as well as their business model in order to provide a comprehensive overview of the company. This case imparts students with a knowledge of a successful sales team that dealt with a change in selling strategies through top-down integration so that they could better reach their target market. The case provides an opportunity for students to learn about how salespeople can affect a business while simultaneously creating a competitive advantage for them. The case also gives students the chance to further examine the integration of selling strategies and how sales can impact a dynamic industry like tourism.

### Teaching and Learning Objectives

1. *Understand that sales and revenue generation activities are critical components for the success of a business and that sales leaders and salespeople are key stakeholders in the success of a business.*
2. *Identify Contiki's competitive advantages*
3. *Evaluate the benefits and costs of transitioning to a different sales process in a dynamic industry like tourism*
4. *Gain an understanding of the importance of top-down integration by leaders who were passionate about the CSP and who took the time to mentor, coach and train their salespeople*

### Target Audience

This case can be used in sales, marketing and/or tourism courses/modules at the undergraduate or MBA level. Prerequisites in marketing theory and base-level sales knowledge regarding the sales process would be useful in the teaching of this case.

## ***Teaching Approach and Strategy***

Discussion point	Time (minutes)
<b>Introduction</b> An opening comment on Contiki and their business model is a good starting point. Include a short video clip showing Contiki's business model, which generates students' excitement about the travel industry and the upcoming discussion.	15
<b>Assignment Questions 1 and 2</b> This first question allows students to further engage with the selling strategy and analyse how these fit with the target market. The second question gets students to consider what leadership qualities and behaviours help enable sales performance in the tourism industry. Each question should be allotted a 20-min discussion before moving on.	40
<b>Assignment Question 3</b> The third assignment question promotes a good discussion of selling strategies and how one change can help facilitate other changes as the travel and tourism environment is constantly evolving. This question should also be allotted 20 min of discussion.	20
<b>Assignment Question 4</b> The final questions ask students to look at what differentiates Contiki and what their competitive advantages are. Thirty minutes should be allotted to discuss competitive advantages and discuss how sales and deep client knowledge lead to improved sustainability practices.	30
<b>Conclusion</b> Briefly summarise what has been discussed and talk about the main decision point and what happened.	5

## ***Analysis***

Contiki decided to fully embrace the CSP. Using the success of the Canadian implementation as a model country, the CSP process began being integrated into many of the other international branches of Contiki to help them connect with their target market. Many of the branches of Contiki have been utilizing CSP to great success through many different channels like email, phone and online messaging service via the Contiki website.

Due to the lack of travel the pandemic has caused, Contiki has been given the time to attempt to reinvent themselves to be ready for the surge of travel likely to occur when it is safe to do so. Due to the changes made internationally and domestically in moving away from selling through travel agents, Contiki continues to look for new ways to sell to and meet the requirements of their target market.

## Assignment Questions

**1. In what ways was the switch to CSP the correct move for Contiki? Describe anything that may have been overlooked or did not make sense for the company.**

Students are allowed to voice their opinion regarding the decision to move to the CSP and the advantages and disadvantages of this approach. The students should provide reasoning and evidence for their answers.

Students should highlight that CSP worked for two main reasons: 1. passion of the sales leaders that implemented the strategy and 2. training and coaching of this selling approach. Students could question whether any selling strategy could have been successfully implemented if these two conditions were present? Or was it the actual idea behind CSP that worked?

**2. Establish a definition of successful sales leadership and use that definition to contextualise this case of Contiki Canada.**

Peesker et al. (2019) provide a theoretical framework to model what behaviours are included in successful sales leadership. These behaviours include coaching, collaborating, championing and customer engagement. This means that the sales leadership position should be situated at the meeting point of both coach and leader. Therefore, for this assignment question, students should use a definition of sales leadership that combines the behaviours outlined by Peesker et al. (2019).

In the analysis of successful sales leadership, student efforts should be directed towards identifying and understanding the contextual nature of the process of sales leadership. Furthermore, students should understand that successful sales leadership is a dynamic and context-heavy subject that should be revalued in every individual situation as well as in the light of the further historical, social and cultural context.

**3. What long-term changes need to be made to CSP to meet the requirements of their changing demographic?**

This question allows students to approach sales with a more holistic view. This question encourages long-term thinking and strategizing regarding how to stay relevant within the evolving target market.

- An ongoing close collaboration with travel market research needs to be implemented, for Contiki to stay “up to date” in their travel offerings to their prospects.
- A close eye on tourism trends as well as overall areas will help Contiki to provide options for its target market that will resonate with its prospects and lead to continuous engagement.

The CSP was created almost 10 years ago, and those in Contiki’s target market at that time may no longer be in it anymore. With the knowledge that companies must evolve alongside their target market, students should be evaluating how Contiki’s strategy can evolve and think about how to prepare Contiki for the future.

4. **Define Contiki's competitive advantage. Do you think CSP and the sustainable initiatives that Contiki undertook have helped in their success?**

The instructor can introduce the valuable, rare, and imitable framework to determine if the companies' resources and capabilities are a source of competitive advantage (Barney, 1991). Contiki's resources and capabilities should be outlined.

The following components of Contiki's competitive advantage are all valuable rare, imitable and non-substitutable.

- Targeting 18–35-year-olds.
- Focusing on sales and sustainability.
- Embracing the digital ramifications of their target market/marketing channels.

## Relevant Readings

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## **Part II**

# **Innovation and Entrepreneurship**

# Chapter 6

## Measuring Hotel and Resort Performances During and Post-COVID-19: A Balanced Scorecard Approach



Leo Y. L. Kwong, Marcella Fang, and Zdenka Gabrielova

### Introduction

The novel coronavirus disease (COVID-19) pandemic continues to present the Australian tourism industry with unprecedented challenges (Agarwal, 2021). In the financial year 2021 (FY2021), the closure of international borders and snap lockdowns in major Australian states and territories, such as New South Wales, Victoria and the Australian Capital Territory, have significantly restricted travel activities. It is estimated that only 87.4 million trips took place in FY2021, which represented a reduction of 25.9 million trips or a decrease of 23.0% as compared to the pre-COVID-19 level of 113.3 million trips (Tourism Research Australia, 2021). This decline in travel activities had a significant impact on the accommodation sector. Within Australia, hotels and resorts experienced a drop in all three key performance benchmarks in FY2021, as compared to the pre-COVID-19 level performances, including occupancy, average daily rate (ADR) and revenue per available room (RevPAR), indicating a drop of 17.4%, 5.1% and 21.5%, respectively (Smith Travel Research, 2021).

The recent administration of vaccines is expected to recover the magnitude of the Australian hotel and resort sector (Deloitte, 2021). However, the recovery is anticipated to be a slow process due to travellers becoming more cautious and hesitant to travel (Shin et al., 2022). Additionally, travel restrictions, social distancing regulations and vaccination mandates will continue to influence guest preferences and operational rules, creating a “new normal” (Pizam, 2021). These changes are likely

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to challenge the reliability of traditional performance measurements, which hotels and resorts have taken for granted for many years (Fatima & Elbanna, 2020). Despite this significance, there is a lack of research conducted to examine the necessary adaptive actions hospitality organisations need to undertake to survive and compete in the “new normal” environment (Pereira-Moliner et al., 2021).

To address this knowledge gap, this case study employs the traditional balanced scorecard (BSC) framework (Kaplan & Norton, 1996) to assess the current state of hotel and resort businesses. We further expand the framework by integrating the sustainable and social dimensions to help hotel/resort leaders identify performance measures and benchmarks for the changing business environment (Elbanna et al., 2015). This case study significantly contributes to the BSC literature, expanding its application with creative thinking, innovative mindset and agile and strategic leadership within the hotel and resort context. Additionally, we provide students with an opportunity to understand and adopt a new way of thinking in applying the BSC framework in measuring hotel/resort performances in an ever-changing business landscape. In light of the research aim, four learning objectives have been proposed:

1. Assess hotel/resort business performances through the use of the traditional BSC framework.
2. Conduct benchmarking analysis to identify continuous improvement opportunities for the hotel/resort operations.
3. Propose suitable measures to assess hotel/resort performances against key performance indicators (KPIs) and potential benchmarking indicators in the context of the “new normal” business environment.
4. Critically discuss the implications of static versus dynamic measurement systems on organisational performances.

## Theoretical Background

### *The Balanced Scorecard Approach: Assessing Hotel and Resort Performance*

The balanced scorecard (BSC) is a performance measurement tool initially developed by Kaplan and Norton in 1992 (Barbosa et al., 2020). Over the years, the tool has evolved into a strategic management system that businesses can use to align their strategy with operational goals, execution and performance measures. The proposed BSC originally consists of four dimensions (referred to as “perspectives”) around which managerial decisions should be made to drive envisioned organisational performance (Kaplan & Norton, 1996). These include (1) leading and growth perspective, (2) internal perspective, (3) customer perspective and (4) financial perspective (Kaplan & Norton, 2001). Vila et al. (2010) further suggested including other dimensions in the tourism sector to also account for business initiatives

pertaining to sustainability and/or social responsibility. Therefore, hotel/resort businesses may incorporate performance measures linked to (5) the environmental perspective and/or (6) the social perspective. Consequently, the literature points to striking a balance between the perspectives in the given business context to achieve the strategic goals. This means, suitable measures need to be identified to effectively assess the achievements of the set strategic goals. Based on the findings, new propositions can be identified to continue creating value for the hotel/resort stakeholders as the business environment changes.

### **Traditional BSC Perspectives**

Informed by Kaplan and Norton (1996), the four traditional BSC perspectives include:

1. The *financial perspective* focuses on objectives and measures for assessing actual performance against the set of KPIs. These measures can help judge the economic success of the hotel/resort business.
2. The *customer perspective* refers to measures to judge customer satisfaction and perception of the business value proposition. The highly competitive nature of the hotel/resort market requires the business to provide value that visitors and guests look for, which adds value to the business.
3. The *internal process perspective* suggests measuring the efficiency and effectiveness of business activities performed, including business resourcefulness. The established hotel/resort systems and ways of working are usually highly structured and underpinned by numerous policies and procedures to support the set quality standards.
4. The *leading and growth perspective* includes performance measures linked to the underpinning systems and ways of supporting all other perspectives. For example, the hotel/resort organisations require well-trained and capable staff across all levels (e.g. front line employees, supervisors, managers) and training systems to deliver on the set business value propositions.

### **Environmental and Social Perspectives**

Businesses and organisations face increased stakeholder pressures to respond to the rising environmental and social problems globally, urging them to rethink traditional business models (George et al., 2016). Thus, sustainability and humanist approaches should become the new norm embedded in the strategic formulations and business leadership and consequently measured for performance outcomes to create and capture value for the business stakeholders (Kang et al., 2015). Some hotel and resort organisations have successfully incorporated environmental and socially responsible practices into their traditional business models and improved their financial performance (e.g. the Hilton, Accor and Marriott Hotels Group) (Guix & Font, 2020).

On the other hand, other hotel and resort management teams find it challenging due to the factors like brand/franchise standards, owner-manager motivations and organisational values and expectations. However, due to the vast economic, social and environmental impacts of hotels and resorts on the local and regional communities and economies, environmental and social responsibilities are important elements within the hospitality industry (Kim et al., 2019). Thus, to improve the business positioning and competitiveness, hotel and resort owners and managers, in general, should pay closer attention to measuring the business activities and track the social and environmental performance to formulate better strategies. Assessing the efficiency of environmental sustainability and social initiatives together with the more traditional financial measurements could lead to understanding how the hotel/resort activities contribute to the overall business performance, such as growth and brand image. Parker and Chung (2018) reported that incorporating environmental and social KPIs within the hotel industry is in its infancy, and some of the common social measures include health and safety and public and community relationships. In the environmental domain, common measures include assessing the number (unit) of materials, energy and water consumed during a nightly hotel stay per room (Chan et al., 2018).

## ***Hotel and Resort Benchmarking***

Benchmarking theory is based on the notion of continuous improvement to enable organisations to apply better practices to achieve superior performance (Watson, 1993). To put it simply, benchmarking is the process of evaluating organisational performance (Jones & Robinson, 2020). This process requires managers, as decision-makers, to judge how their operations perform to detect the gaps in performance by exploring where and why their operations do not work as they should and by finding ways to close the gap to generate improvement (Galindro et al., 2019). The underlying success in benchmarking lies in knowledge-sharing and the willingness of managers to evaluate and innovate their performance measures (e.g. financial metrics or physical metrics) and other practices (e.g. routines or processes) to increase organisational profits (Zairi & Al-Mashari, 2005). By doing so, organisations can gain insights into their performance and adjust future operational plans to meet and exceed their set standards while capitalising on benchmarking practices' improvement opportunities (Lee & Lee, 2017).

Within the hospitality context, benchmarking has been widely adopted, both internally and externally (Webb & Schwartz, 2017). Internally is by measuring the performance across the business operations as part of the same department/division, company, chain and location; and externally is by comparing the business performance against best practices, to a sector or industry, and against the competition (Slack et al., 2009). One prevalent benchmarking method that has received considerable attention in research and industry practice is benchmarking against the competition, commonly known as "competitive benchmarking" (Schwartz et al., 2021). This process involves comparing the organisation various KPIs, such as the

occupancy, ADR and RevPAR—relative to their historical performance and selected competitive set (Lei et al., 2019), which are also valuable targets informed by pre-determined forecasts.

While forecasting future targets worked quite well in the past, the recent industry disruptions have made this practice somehow problematic, given the uncertainty in the current marketplace (Garrido-Moreno et al., 2021). Increasingly, there is a need for accessing reliable competitor data (e.g. Smith Travel Research) and better methodologies for the accommodation providers to accurately identify their competitive sets (Schwartz & Webb, 2021). Nevertheless, the current changes in the external environment provide some opportunities for the adoption of more prudent benchmarking approaches by looking beyond the financial perspectives with the potential to uncover some trade-offs between external and internal measures for continuous improvement.

## Data Collection

This study undertakes a secondary data analysis (Corti, 2017) by assessing existing organisational data to establish the current operational performance of an Australian resort. Access to the resort data was granted by the group general manager of the human resources division of the case study organisation on 22 September 2021. A multitude of data was sourced to exemplify the BSC perspectives. The profit and loss (P&L) statement and customer satisfaction ratings were used to depict the financial and customer perspectives. Policies, procedures, training records, social media, company intranet database and archive records were sourced to identify and measure internal process, leading and growth and social and environmental perspectives. Both quantitative and qualitative secondary data collected reflect the actual performance of the case study organisation in June 2021. Table 6.1 summarises the different types of secondary data used in the case study.

### ***Case Study Background: Resort#A***

The case study was undertaken in a large Australian resort, hereby referred to as “Resort#A”. The resort currently employs over 1000 front-of-house (FOH) and back-of-house (BOH) staff members to operate its multiple divisions, including hotels, conventions, food and beverage, retail and recreational activities. This case study focuses on the performances of the hotels division, which is the largest operation in Resort#A. The hotels division operates over 700 rooms in five hotels, offering a diverse range of accommodation styles to cater for different customer markets, including luxury, boutique, business and serviced apartments. These investments have established Resort#A as a highly valued premium destination for both domestic and international travellers. Prior to the pandemic, the annual occupancy for Resort#A averaged 81.0%.

**Table 6.1** Secondary data sourced for analysing BSC perspectives

Perspectives	Second data <sup>a</sup>	Description
1. Financial	P&L statement	Assess statistical data evaluating the profit or loss generated for a specific period of time
2. Customer	Tripadvisor rating	Examine statistical data and general feedback indicating the overall customer satisfaction towards the resort experience
3. Internal process	Policies and procedures	Revise numerous policies and procedures implemented to support the existing work system
4. Leading and growth	Training records	Outline current training culture in improving staff performance
5. Environment	Archive records	Review sustainable business practices in preserving the local environment in which the resort operates in
6. Social	Social media and company intranet database	Evaluate ongoing organisational efforts to maintain and enhance employee well being

<sup>a</sup>Assessed quantitative data for measuring perspective 1, qualitative data for perspectives 3, 4, 5 and 6 and both quantitative and qualitative data for perspective 2

## Performance Measurement Systems and Practices in Resort#A

This section discusses the key finding of the case study. We found Resort#A practices all six BSC perspectives, including financial, customer, internal process, leading and growth, environmental and social. However, we only found evidence of benchmarking for the financial perspective. The performances of the remaining perspectives are frequently measured but rarely compared to any benchmarks. The findings specific to each perspective are presented next.

### *Financial Perspective*

The P&L statement was analysed to evaluate the financial performance of the hotels division. P&L analysis traditionally involves comparing monthly and yearly actual financial results with the budgetary estimates and the performance of the previous year (Birt et al., 2020). However, since the start of the pandemic, top management has identified that the financial performance of the previous year (FY2020) is no longer a relevant benchmark, given the unpredictability and uncertainty of fluctuating business demands. Instead, managers refer to the FY2019 results (pre-pandemic level) as a general guideline when discussing business trends and strategies during weekly and monthly meetings.

Despite experiencing a significant business downturn, the overall financial performance for the hotels division exceeded budgetary estimates. Total occupancy achieved for June 2021 was 77.8% compared to a budget of 70.0%, representing a

**Table 6.2** Overall financial performance for the hotel division

P&L items	Month to date (June 2021)			Year to date (FY 2021)		
	Actual (%)	Budget (%)	Variance <sup>a</sup> (%)	Actual (%)	Budget (%)	Variance <sup>a</sup> (%)
Occupancy	77.8	70.0	11.2	73.5	81.8	-10.1
Payroll	23.1	24.2	3.6	24.2	24.3	1.5
Other expenses	8.6	9.0	5.8	7.9	8.4	4.5
Utilities	8.3	8.7	6.5	9.6	10.7	9.1
Net income	57.1	54.3	3.3	54.9	54.0	3.1

<sup>a</sup>Percentage variance is calculated based on actual financial figures

growth of 11.2%. A further well-controlled payroll and other expenses such as maintenance facilitated the hotels division in retaining a net income of 57.1% against budget of 54.3%. Similar improvements were also noted in the yearly results. The net income percentage for the hotels division in FY2021 was 54.9% as compared to a budget of 54.0%. The financial performance of the hotel division is summarised in Table 6.2.

### ***Customer Perspective***

Resort#A uses the Tripadvisor satisfaction rating as the primary indicator of customer perspectives. The Tripadvisor rating system is based on a five-point scale allocated to each of the four criteria: “location”, “cleanliness”, “friendliness” and “value”. The overall customer satisfaction for the hotels division in June 2021 was 86%, with location and cleanliness receiving the highest rating at 92% and value being the lowest at 72%.

Reviewing the feedback received, hotel cleanliness was frequently mentioned as the primary contributor to customer satisfaction. This result reflects the continued emphasis of the hotels division on training and monitoring staff compliance in cleaning and sanitising both FOH and BOH hotel areas. Additionally, enhanced protocols and standards implemented to maintain staff hygiene and grooming also positively influenced the cleanliness perspective. On the other hand, value for money continued to deter customer satisfaction. There have been more customers providing feedback about hotels being perceived as overpriced due to hotel designs and facilities being “dated” and “tired”. Resort#A has committed to numerous refurbishment projects, but the pandemic continues to delay organisational efforts to upgrade and maintain its upkeep. The guest perspective results are summarised in Table 6.3.

**Table 6.3** Tripadvisor customer satisfaction for hotels division

Customer perspectives	Hotel 1 (%)	Hotel 2 (%)	Hotel 3 (%)	Hotel 4 (%)	Hotel 5 (%)	Average (%)
Location	100.0	100.0	90.0	80.0	90.0	92.0
Cleanliness	100.0	90.0	80.0	90.0	100.0	92.0
Service	90.0	90.0	80.0	90.0	70.0	84.0
Value for money	80.0	60.0	70.0	80.0	70.0	72.0
Overall guest satisfaction	90.0	90.0	80.0	90.0	80.0	86.0

### ***Internal Process Perspective***

The hotels division has established a highly structured work system underpinned by employing multiple intra- and interdepartmental policies and procedures to facilitate performance consistency. The structure is further reinforced by the implementation of a comprehensive property management system (PMS). Developed by a third party, the system integrates and coordinates the operational and decision-making functions between all major departments of the hotels division ranging from rooms, reservations and revenue, sales and marketing and accounting (Shin et al., 2019).

The preparation of each policy and procedure is often a collaboration between different divisions. Operational managers discuss any upcoming product launches or identified skill and knowledge gaps with the human resources manager. The latter division is responsible for releasing, training and updating all policies and procedures to align with changing operational needs, technological advances, industry standards and legal requirements. Given the complexity and diverse nature of the overall Resort#A operation, the average time for realising a new policy and procedure is approximately 2 months. There are currently more than 300 released policies and procedures for the hotels division.

### ***Leading and Growth Perspective***

The leading and growth perspective was evident in the strong training culture established in the hotels division. New employees at all levels are required to attend initial training to receive the necessary skills and knowledge to perform their work roles. Initial training primarily consists of three delivery methods: attending classroom-style sessions, participating in on-the-job training with an existing team member and/or workplace trainer and completing various self-administered e-learning programs relating to workplace policies and procedures. Ongoing leadership training has been mandated for all managers to advance their capabilities in strategic thinking and decision-making to align with company directions and

values. Additional learning and development opportunities, such as cross-training and on-the-job training refreshers, were available for frontline staff members but provided on an as-needed basis. Reviewing relevant training records, it is estimated that managers and frontline members received a total of 88.0 and 42.0 training hours, respectively, within the first 6 months of their employment with the organisation.

### ***Environmental Perspective***

Resort#A has implemented a number of sustainable business practices to preserve the native flora and fauna of the local environment in which it operates. A salient example is the grey water system introduced in 2017, which converts effluent and food waste into liquid grey water, over which 95% is reused for the general maintenance of BOH resort operations. The hotels division further recycles over one tonne of dated electronic assets, such as televisions, telephones, computers and tablets each month. Other sustainable business practices include removing single-use plastic straws, cutlery and food containers for room service and hotel dining and replacing toxic cleaning chemicals with environmentally friendly and COVID-19 safe alternatives in housekeeping.

### ***Social Perspective***

Employee well-being has been the premise of numerous business strategy implementations in Resort#A, an emphasis that has become even more salient during the pandemic. Top management agreed to receive pay cuts to reduce the organisational payroll to avoid staff layoffs. Operational staff members were encouraged and received appropriate training to work in multiple FOH and BOH roles to support different departmental workloads. In cases where staff members received notice of reduced work hours, financial assistance was offered to compensate for the loss of income, including receiving discounted meals and accommodation incentives. Some BOH departments, such as the Reservations, Revenue and IT, were required to work from home, and employees were provided with laptops and other computer equipment to support their work. Welfare checks were frequent to maintain communications with all onsite and offsite staff members. Finally, Resort#A further sourced professional and direct external help as counsellors to assist employees to manage their mental health issues where required. All these efforts significantly enhanced and reinforced the community spirit of employees towards Resort#A during the pandemic.

## Student Discussion and Activities

This study undertook a secondary data analysis (Corti, 2017) to examine existing operational practices and the performance of the Resort#A hotels division during highly uncertain times to propel the discovery of new opportunities for optimising the resort's organisational performance. The research findings highlighted that Resort#A continues to perform well under the current business landscape. However, the management team has acknowledged that they need to innovate the existing work system to effectively guide the operations throughout the highly uncertain times of the pandemic. The underlying challenge lies in the ability of managers to lead with agility and, at the same time, control what is internally possible. The following management activities have been identified as the primary focus areas in search of organisational improvements:

### ***BSC Perspectives***

1. The pandemic has changed the reliability of historical data, such as budget estimates and last year performances for measuring the financial perspective. What other benchmarks can be used, and how can they inform the resort financial strategies?
2. As domestic and international borders reopen, will service expectations be different or similar to the pre-pandemic expectations? What are the underlying reasons for the identified differences (or lack of)?
3. How can the resort adapt their established policies and procedures to better cater for the new domestic and international visitor segments born out of the pandemic?
4. Innovations during uncertain times are often perceived as risky investments. How can training encourage organisations to embrace innovations?
5. From the environmental perspective, what other criteria should be measured?
6. How can the resort utilise its existing big data to improve sustainable practices, educate stakeholder awareness and reduce future environmental impact?
7. How can the resort extend its current management practices to continue supporting employee well-being in order to maintain and increase job performance and satisfaction? What new initiatives specifically could contribute to better organisational performance?

### ***Benchmarking***

8. Managers tend to focus exclusively on evaluating the financial perspective as the primary indicator of organisational performance. How can we change this mindset from adopting a single to multiple perspectives?

9. What qualitative and quantitative measures are suitable for evaluating the customer, internal process, leading and growth, environmental and social perspectives?

### ***Recommendations and Action Plan***

10. Considering the technological advancements in big data collection and access, what are the opportunities and challenges encountered by contemporary hotels/resorts when integrating big data analysis to enrich benchmarking and performance practices?
11. Based on the case study findings, the six BSC perspectives are in need of alignment to better support the resort's short- and long-term strategic goals. What changes are needed within the current BSC to balance the requirements of each perspective?
12. Design a new BSC and critically compare the implications of the static (current) and the dynamic (new) performance management systems. Share your findings, reflect on your learning and develop a new action plan to help implement the BSC changes.

### ***Further Research Directions***

13. What are some of the knowledge gaps in this case study? What benchmarking criteria can be used to measure the resorts' performance?
14. How can we apply other theoretical concepts to extend our understanding of organisational performance measurement?

### **Conclusion**

This case study explored the performance measurement activities of a resort in Australia using an expanded balanced scorecard approach. The study uncovered that measurement of resort performance is a complex process. The analysis used secondary data, such as the resort's internal performance data (e.g. existing P&L statements), TripAdvisor rating, training records, information specific to the resort's sustainability and social-well-being practices and benchmarking data. These insights suggest what performance measures and perspectives matter to the resort owner and the management team. The most frequently used measures are financial (e.g. profit metrics). Other important measures in the non-financial domain include customer satisfaction and employee capacity. These results suggest that

environmental and social measures are not formally assessed. While the resort's traditional performance measurement approach is sensible, there is a scope for an improved performance measurement system to account for the humanistic, customer service and experience innovations and environmental practices designed to meet the strategic goals of the resort. The tension between the measured and less measured perspectives reveals new opportunities for creative strategic decision making and dynamic performance measurement system in rapidly changing and highly uncertain times. The new performance measurement system may provide a more holistic understanding of the resort's capabilities and competitiveness and, thus, drive future strategic innovations.

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## Teaching Note

### *Case Summary*

The COVID-19 pandemic continues to present the Australian hotel and resort industry with unprecedented challenges. The post-COVID-19 era of hotel/resort management requires a new attitude to assessing and benchmarking business performance. To survive, compete and thrive in the “new normal” environment, hotel/resort organisations need to build on their strategic agility and sensitivity, humanistic and sustainable leadership and resource fluidity. The salient role of performance measurement is highlighted in this case study through secondary data analysis to uncover new business opportunities to optimise the organisational performance of the presented resort case. Underpinned by the BSC framework and benchmarking theories and practices, we encourage students and industry practitioners to apply innovative thinking, agile leadership and more humanistic approaches to the challenges and activities presented in the case study.

### *Teaching and Learning Objectives*

The case study provides students with the following opportunity to:

1. *Assess hotel/resort business performances through the use of the traditional BSC framework.*
2. *Conduct benchmarking analysis to identify continuous improvement opportunities for the hotel/resort operations.*

3. *Propose suitable measures to assess hotel/resort performances against key performance indicators (KPIs) and potential benchmarking indicators in the context of the “new normal” business environment.*
4. *Critically discuss the implications of static versus dynamic measurement systems on organisational performances.*

## ***Target Audience***

This case study is suitable for both under- and post-graduate students in hospitality and tourism programs to better understand the significance of measuring and benchmarking organisational performances. It is critical for students to develop the ability to embrace change, innovate and adapt to the increasingly complex and uncertain environment. The case presents real management learning challenges to foster students' critical thinking, creative, decision-making and collaborative skills.

To effectively contribute to the case study analysis, students should have a fundamental knowledge of hotel/resort operations, particularly, the hotels and human resources divisions, strategic planning and financial decision-making.

## ***Teaching Approach and Strategy***

It is recommended that at least two class sessions are dedicated to this case study. The first session can debrief the magnitude and impact of COVID-19 on the tourism and hospitality industry and, specifically, within the Australian context. This can be followed by an introduction of the BSC framework, benchmarking approaches. After a general discussion of the case organisation and business challenges, students can be assigned into two groups. Each group evaluates a different set of BSC perspectives from the case study. Lecturers/instructors should foster socially constructed teaching and learning experience through which students create their own knowledge—by discussing, comparing and reflecting on their findings and implications to the different business scenarios.

Having asked the students to read the case study and suggested readings in advance, the second class can focus on each group presenting their final recommendations and action plans for overcoming the encountered challenges. Afterwards, students should also be encouraged to propose future research directions for modifying, expanding and innovating BSC within the hospitality context. In closing, the lecturer/instructor should remind students that the desirable solution is the one that balances both short- and long-term performance goals and optimises the organisational performance; thus, moving away from the purely profit-driven strategic approach. The proposed teaching plan and group activity worksheet are included in Tables 6.4 and 6.5 respectively.

**Table 6.4** Proposed teaching plan

Session	Learning objectives	Case study questions	Delivery
1	1, 2	1–9	Lecture and/or group activity
2	3, 4	10–14	Presentation of group activity

**Table 6.5** Group activity worksheet

Group	Perspectives#1	Perspectives#2	Interplay between the perspectives	Action plan
1	1	2–6		
2	1	2–6		

<sup>a</sup>Different sets of BSC perspective#2 (minimum two) is recommended for each group to explore and discuss

### ***Indicative Answers***

Example answers to each case study question are provided below:

#### **BSC Perspectives**

1. Answers should consider the suitability of existing and potential new data sources to help identify a suitable and reliable flow of data to inform effective managerial decision-making. It is the type of data and the reliable access that will provide an advantage that other hotels/resorts may not be able to achieve or imitate (e.g. business acumen can be an integral benchmark for informing effective managerial decision-making during uncertain business times. Students can discuss the advantages and disadvantages of this benchmarking technique).
2. The altered consumer and travel behaviours due to the safety and security concerns in everyone's life (in home and host countries) has increased demands for more meaningful consumer experiences (e.g. experiences aligning with consumers' search for personal growth, escape, education, regain experiences and other), presenting both new challenges and opportunities for the (re)design of hotel/resort experiences. Hotel/resort businesses will need to adapt their operational and marketing strategies and practices to meet the changed needs. In this process, agile leadership enables the development of a competitive advantage. Also, with the increased awareness of human and environmental vulnerabilities during and after the pandemic, hotel/resort segments may call for more humanistic and sustainable experiences. Some post-pandemic service expectations will be similar to pre-pandemic expectations, whereas others will differ. Students could thematically analyse the different reasons to identify 3–4 underlying reasons.
3. Building on Q2, hotel/resort leaders could adapt to the environmental changes with agility to adjust the existing policies and procedures (P&Ps) and/or develop

new ones. Hotel/resort leaders should be mindful and yet critical to promote new ways of working. Students can further apply the change management theories to think through the various forces and suitable change management strategies to achieve effective and efficient outcomes. Established P&Ps will need to change in response to operational, legal and technological requirements. Students can discuss how a P&P can be adapted to better suit an emerging guest need.

4. Training session(s) focusing on innovation for hotel/resort managers and leaders could foster the right mindset and practices to support innovation on an everyday basis and as everyone's responsibilities. Students could be encouraged to discuss ways to balance both the financial and non-financial benefits of innovations to facilitate attitude change towards innovations.
5. Hotels/resorts can opt for more sustainable work practices/routines to improve their environmental impact. Students could evaluate the tangible and intangible resources required to perform different P&Ps, discussed in Q2.
6. Annually, the resort can conduct an evaluation of its environmental initiatives and report on the effectiveness of its big data strategy, specifically updating their stakeholders on its big data use (e.g. data sourcing, metrics, the instant visualisation of real data, etc.) and how it leads to continuous improvements/more sustainable workplace practices.
7. Students could explore innovative ways in using technology to foster support between employees working on-site and from home. Hotels/resorts can provide training sessions and promote work behaviours to engage their employees in ongoing well-being practices (e.g. mindfulness and meditation; self-awareness, reflection, social awareness, etc.).

### Benchmarking

8. Apply hotel/resort leadership to model the right mindset. Students could also consider other options, such as benchmarking and performance management training.
9. It is suggested that students develop a broad list of examples with specific measures. Afterwards, they could apply convergent thinking to retain 3–4 quantifiable examples for each BSC perspective.

### Recommendations and Action Plan

10. Technology advancement has facilitated contemporary hotel/resort organisations in collecting and accessing a wide quantity of big data, such as online reviews and business reports. Students should consider the quality, reliability and validity of secondary data during analysis for enhancing business decisions and enriching benchmarking and performance measurement practices. Additionally, students could focus on how ethical usage of big data can be

- fostered, such as consent, equity and privacy, to translate big data usage into socioeconomic value.
11. Each BSC perspective assumes a unique role in contributing to organisational performance. Students could identify the current measurement gaps, devise solutions to address the gaps and outline the interlink between all perspectives to achieve an alignment. To attain the short- and long-term organisational goals, students should balance the focus of all perspectives (e.g. not leaning to one or two only).
  12. Both BSC systems—static and dynamic—will present possible values but also paradoxes at either end. Students could be encouraged to discuss various scenarios in which the KPI solutions incorporate all values. Consequently, students could generate creative findings by identifying the opposites, the bridge between them, and juxtaposing them to develop optimal strategies to improve (short- and long-term) organisational performance.

### Further Research Directions

13. BSC lacks a perspective dedicated to measuring staff performances and developmental effectiveness. Students could identify 3–4 benchmarking tools suitable for understanding staff work motivations, satisfaction and turnover intention.
14. Employees may have diverse intentions when exhibiting performances. Students could employ different motivational theories to extend our understanding of performance measurements.

### Further Readings

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# Chapter 7

## Yoho Bed: Scaling Up a Platform Business in the Hospitality Industry



Jeeshan Mirza and Prescott C. Ensign

### Introduction

Technological innovations are transforming the way we consume goods and services. Over the past decade, the sharing economy model has emerged as a viable alternative to fulfilling customer needs across diverse industries (Wirtz et al., 2019). Consumers now patronize Uber for their transportation needs, Airbnb for their accommodation needs, and Lending Club for their financial needs. Previously, many of these services would have been provided by traditional businesses that sought to maximize control of the value chain (i.e., from input to output). In contrast, the sharing economy is a technologically enabled socioeconomic system that brings together producers and consumers, facilitating their interactions (Eckhardt et al., 2019; Van Alstyne et al., 2016). Through platform mediation, sharing economy firms shift focus from controlling to orchestrating resources to generate value for all parties involved. As a platform's supply is crowdsourced from many individuals, there are fewer limits to its participation. Potentially, anyone with spare capacity (e.g., a room) can become a producer for the platform (Wirtz et al., 2019). Furthermore, platforms build and rely on digital infrastructure for their functioning (e.g., websites and apps). These two factors make digital platforms readily scalable compared to traditional businesses (Monaghan et al., 2020). Unsurprisingly, the sharing economy idea is gaining traction in tourism and hospitality. For instance, platforms like Airbnb have disrupted the hotel industry by enabling peer-to-peer

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sharing of accommodation. Similarly, booking platforms (e.g., Agoda) aggregate a vast array of travel and stay options for their clientele. These contemporary business models are changing the face of tourism—with consumers traveling in ways virtually unheard of even a decade ago.

This case study provides readers with a glimpse into the journey of one such platform. Yoho Bed (Yoho) is a hospitality startup founded in Sri Lanka in 2016. Yoho has adopted a hybrid business model that integrates sharing economy principles with a local responsiveness strategy. Using a combination of online and offline resources, Yoho facilitates exchanges between travelers and small-sized establishments in Sri Lanka. The case encourages students to step into the shoes of Yoho founders, think like entrepreneurs, and envision the firm's future trajectory. Students must understand and critically evaluate Yoho's business model while relating to opportunities and challenges arising from the business environment. Based on this understanding, students can reflect on possible strategic directions to facilitate the scaling up of the venture. Upon reading the case and completion of assessments, students will gain familiarity with the platform business model, understand its unique challenges, and recognize the importance of network effects for establishing a competitive advantage. In addition, the case study allows students to delve into issues pertinent to tourism and entrepreneurship in emerging markets. Appreciating business practices and cultures from other parts of the world brings new perspectives to students' learning. Such learning is essential as most social science research focuses on Western, educated, industrialized, rich, and democratic societies (Field et al., 2021).

The diverse topics presented within the case make it suitable for hospitality, entrepreneurship, marketing, services marketing, international business, and strategic management coursework. Students can utilize various theoretical concepts and frameworks to forge a deeper connection with the case study. The case context relates to the long-standing debate on how firms achieve and sustain competitive advantage. According to the competitive forces approach, the intensity of competition in an industry and market segment determines a firm's profit potential (Porter, 1985). Another group of scholars suggests that competitive advantage stems from a firm's distinctive and hard-to-duplicate resources (i.e., resource-based view) (Barney, 1991; Teece et al., 1997). Yoho Bed's story underscores the interrelation and importance of both approaches. On the one hand, the firm is deliberately positioning itself in a market space where it makes the competition less relevant. On the other hand, the entrepreneurial team's knowledge and expertise enable them to exploit the market opportunity and neutralize external threats (Kozlenkova et al., 2014).

From a marketing perspective, the case presents students with the opportunity to critically evaluate Yoho Bed's segmentation, targeting, positioning, and marketing mix strategies (Grewal & Levy, 2017). As the platform model is new to the market, customers must perceive Yoho Bed's offerings distinctively and desirably compared to competitors. It is also essential to consider some contemporary marketing and entrepreneurship concepts to identify with Yoho Bed's business setting. Students

will benefit from an understanding of sharing economy characteristics (Eckhardt et al., 2019), the distinct types of platform business models (Wirtz et al., 2019), and network effects (Evans & Schmalensee, 2010; Ruutu et al., 2017; Van Alstyne et al., 2016). Finally, one of the Yoho founder's strategic aims is scaling up the business. Scaling up is not merely about high growth (i.e., revenue growth and people). Scaling occurs when a firm "takes a proven concept and delivers it to a wider audience, often through market penetration and geographic expansion" (Coviello, 2019, p. 5). Scaling enables firms to leverage economies of scale and grow revenues faster than costs. The case study allows students to ideate scaling strategies for sharing economy firms. Additional theory-based reading is included in the teaching notes.

The case was developed based on secondary data and conversations with Hifnaz Jiffrey, CEO and cofounder of Yoho Bed. The secondary data were sourced from published corporate information, government publications, journal articles, and other news media outlets.

## Background

It was a warm summer morning in Colombo, Sri Lanka, as Hifnaz Jiffrey and his team set out on their road trip down south. Hifnaz is the cofounder and CEO of Yoho Bed, a fast-growing Sri Lankan hospitality startup. That day, the Yoho team was scheduled to inspect six hotels in the country's southern province. Five had contacted Yoho to be listed as property partners while the company approached the sixth Villa Nilwella. The sharp-eyed CEO, Hifnaz, was particularly excited about getting Villa Nilwella onboard as a Yoho partner hotel. Driving past a scenic seaside town, Hifnaz enthusiastically addressed his team, "Folks, we need Villa Nilwella in the Yoho family. The property is spacious and secluded, with an untouched beach. The sand is white, and the water aquamarine. These are the hotels that will excite foreign tourists."

Founded in 2016, Yoho Bed has rapidly grown into a well-recognized hospitality brand in Sri Lanka, with a network of over 500 properties across 25 townships and cities. Yoho's business model is based on the sharing economy concept whereby firms leverage digital technology platforms to facilitate efficient matching and exchange between end-users and providers (Eckhardt et al., 2019). However, unlike Airbnb or [Booking.com](#), Yoho plays an expanded supporting role that goes beyond platform mediation. Yoho extends managerial expertise to its partners, mostly comprised of small-sized hotels and guest houses across Sri Lanka. Through these property partners, Yoho offers an affordable and welcoming experience for a market that includes both foreign and domestic tourists. The business model creates value for all three parties involved. Travelers can choose from a wide variety of properties where they can enjoy an affordable, hassle-free holiday. Small-sized hotels can benefit from Yoho Bed's brand name and technical and managerial experience. Finally, Yoho can offer a quality hospitality experience without owning a hotel.

## Early Challenges

Despite impressive progress, the startup is not without its fair share of early-stage obstacles. Specifically, the entrepreneurial team is facing four main challenges. First, aligning the property partners with Yoho Bed's business philosophy has been difficult. In a traditional business model, hotels manage customer experiences across all touchpoints (i.e., from pre-stay to stay to post-stay). This control allows hotels to influence customer experiences and ensure high service quality. In contrast, sharing platforms like Yoho have limited control over users' overall experience (i.e., only supplementary services such as booking and billing).<sup>1</sup> As property partners are not employees or franchisees of Yoho, they cannot be effectively bound by governance mechanisms. Partners can opportunistically work with multiple platforms and serve their self-interests. Further, being a newcomer to the industry, Yoho lacks the legitimacy to influence its partner's actions. Legitimacy provides new ventures with the means to overcome the liability of newness, a factor that contributes significantly to startup failure (Zimmerman & Zeitz, 2002). In addition, there is heterogeneity in the type of properties and operating practices. A customer visiting any Hilton or Marriott property knows precisely what to expect (i.e., uniformity in rooms, level of service). However, there is considerable variance in rooms offered by platforms like Yoho. Altogether, these factors make it challenging for Yoho to provide an optimal customer experience.

Second, unlike a traditional business-to-consumer (B2C) or business-to-business (B2B) model, Yoho must develop and sustain relationships with end-users and providers. During team meetings and training sessions, Hifnaz highlighted this challenge, "In our business, we have two customers—the tourists and business partners. One compensates us, and the other provides us with the means to earn this compensation. Our success will depend on how well we can keep both parties happy." Instilling and sustaining this dual orientation requires a balancing act. Often, Yoho personnel face circumstances requiring trading off one entity's interests over the other.

Third, like many other young, fast-growing enterprises, Yoho does not possess adequate resources to match its swift rise and aspirations. While the startup has many exciting plans in the pipeline, it does not have the financial resources to implement them. This constraint is prompting the founders to consider seeking external funding. Hifnaz explained to prospective investors, "Despite being a bootstrapped business, we have raised our business valuation to \$6 million<sup>2</sup> within a short time. If we had the financial muscle to bring our ideas to fruition, I don't see why Yoho can't become a \$60 million company in no time."

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<sup>1</sup>In services, the core product is what the customer is fundamentally buying, which in this case is the accommodation offered by providers. Core products are typically accompanied by supplementary services that augment and enhance value. Supplementary services include order taking, billing, and information sharing—the role played by Yoho Bed (Wirtz & Lovelock, 2018).

<sup>2</sup>All currency in US dollars unless otherwise indicated.

Finally, the company faces competition from other booking platforms and independent hotels in the immediate environment. Leading online travel agencies and platforms are already entrenched in the Sri Lankan market. At the same time, traditional hospitality players are boosting their digital presence to adapt to changing consumer behavior (Premasinghe et al., 2021). Furthermore, the Sri Lankan government is encouraging foreign investment in the tourism sector, which can pave the way for new entrants (Silva, 2021). From a macro-environmental perspective, in recent years, Sri Lanka's flourishing tourism industry has been sent into a tailspin by external shocks such as terrorist attacks, political turmoil, the COVID-19 pandemic, and the most recent economic crisis (Sharma et al., 2022).

A seasoned entrepreneur and graduate of MIT's Venture Scaling Bootcamp, Hifnaz knows that all new ventures go through ups and downs and that luck favors the persistent. Hence, he urges his team to remain patient and work toward their long-term goals. Economic recovery is inevitable, and the startup has a novel and scalable idea. Unlike traditional enterprises, which need to invest in physical infrastructure, Yoho only needs to expand its marketing and business development efforts to scale. Once digital platforms gain a certain level of customer traction (i.e., attain critical mass), they can benefit from accrued network effects to achieve exponential growth (Evans & Schmalensee, 2010; Ruutu et al., 2017).

An hour into the journey, the high-spirited brainstorming session became subdued. Some took advantage of the quiet moment and enjoyed power naps. Hifnaz used this opportunity to reflect on critical strategic issues faced by Yoho. As they passed by a colorful fishing village, Hifnaz smiled in awe and wondered what he could do to help Yoho make the leap from an energetic startup to a visionary company.

## Tourism Industry in Sri Lanka

Sri Lanka is a tropical island nation near the southern tip of India. The South Asian country has a population of 21.8 million, is multiethnic, and home to many cultures, languages, and ethnicities. Formerly known as Ceylon, Sri Lanka's rich history spans over 3000 years. The country came under European influence and colonial rule from the fifteenth century onward before gaining independence in 1948. Sri Lanka's recent history is marred by a 26-year-old civil war that ended in 2009. A middle-income economy with a GDP of \$84 billion, Sri Lanka's economy grew at an average of 5.6% per annum between 2010 and 2019. Over the past two decades, Sri Lanka has transitioned from a predominantly rural agro-based economy to an urbanized economy built around manufacturing and services (World Bank, 2021). However, the country's remarkable growth has stalled due to political problems, ethnic conflicts, and the global pandemic. Most recently, Sri Lanka has been left reeling by an economic crisis that has resulted in a plummeting Sri Lankan rupee and shortages of food, fuel, power, and essentials (Rasheed, 2022).

The tourism sector was Sri Lanka's third-largest export earner during the past 5 years. As the country's primary industries (e.g., apparel and tea) have been experiencing a steady decline, the government is betting on tourism to rejuvenate its economic growth (Munasinghe et al., 2020). The government has targeted seven million tourist arrivals by 2025 and expects to earn a revenue of \$10 billion (Hettiarachchi, 2020). The government's optimism is understandable. Within a small area of 65,525 square kilometers, Sri Lanka offers tourists a rich and diverse experience. Whether someone wants to surf in the warm waters of the Indian Ocean, enjoy scenic train rides, hike through tea gardens, see elephants and leopards on safaris, or go back in time through temples and ruins, there is something for everyone. The country boasts eight UNESCO world heritage sites. In 2019, the leading travel authority Lonely Planet ranked Sri Lanka as the world's best country to visit. Similar accolades were bestowed by the New York Times and Guardian.

However, tourist attractions alone will not allow Sri Lanka to reach these ambitious milestones. The country must ensure sufficient infrastructure (e.g., hotels, transportation network) to handle the fourfold tourist increase. In 2021, Sri Lanka had a total room capacity of 47,337 (Sri Lanka Tourism Development Authority, 2021). At a minimum, the country must double this capacity to accommodate the desired number of tourists. Presently, 413 projects with a total investment worth \$3.8 billion are underway to increase the present capacity by another 21,122 rooms (Hettiarachchi, 2020). Participation from the informal sector (e.g., guest houses, apartments) will fill the void.

## The Business Idea

Yoho was founded by a group of friends, Hifnaz Jiffrey, Fathhi Mohamed, and Usama Naquib, who saw a unique opportunity in Sri Lanka's hospitality industry. Approximately 66% of Sri Lanka's hotel room inventory is in the informal sector, including guest houses, unclassified tourist hotels, homestay units, bungalows, and hostels (Sri Lanka Tourism Development Authority, 2020). Many of these establishments, while having adequate facilities, lack the credibility and capabilities to acquire customers, particularly foreign tourists. Most do not have functional websites or booking systems and operate without a formal service delivery process. Homestay units and apartments are typically unbranded and unregulated, diminishing their trustworthiness from a tourist's perspective. The Yoho team believed it could serve as a market-based mediator by offering an online platform that enables these informal sector establishments to connect with tourists. But beyond the platform—similar to what other room aggregators offer—Yoho's point of differentiation is its offline capabilities.

Yoho Bed's founding team members brought diverse functional and industry expertise. Hifnaz, for instance, was formerly a senior executive at a public retail company called Odel. He possesses extensive knowledge in retail-scape design, customer service, and marketing. Fathhi demonstrated leadership experience in Sri

Lanka's technology startup space. He is also a cofounder of PickMe, Sri Lanka's leading ride-hailing, food delivery, and logistics firm. Usama has business development and operational experiences at leading Sri Lankan technology firms. Through their collective experience, the founders provide valuable management advice to hotel partners, including how they can improve front office activities, housekeeping, food and beverage, personnel management, and overall service. During pitches made to investors, Hifnaz would explain:

We are different from the likes of Airbnb, [Booking.com](#), and Agoda because we adopt a more holistic approach to working with our partners. We are not merely a platform to list rooms. We work with our property partners almost like consultants. We suggest how they can enhance their property's aesthetic and operational effectiveness. Our property partners are the heart of our business model, and ultimately their success becomes our success.

Yoho Bed's commitment to its property partners is a defining aspect of operations. During team meetings, Hifnaz would assert:

We want to build an institution with a purpose beyond just making money. We want to empower small business owners and provide them with the skills and knowledge required to grow and contribute to our tourism industry. We believe we can play an essential role in creating a sustainable hospitality ecosystem.

The founding team's passion is unmistakable. Before founding Yoho, all of them had successful careers in renowned enterprises. Their decision to venture out and start something on their own was predicated on the belief that they could significantly impact the country's tourism sector. They did not want to be like any hotel company; instead, they dreamed of creating an institution that could have far-reaching socioeconomic influence.

## The Market

Sri Lanka attracts diverse tourist segments. Tables [7.1a](#), [7.1b](#), [7.1c](#), [7.1d](#), and [7.1e](#) provides an at-a-glance overview of tourism in Sri Lanka. The gray globetrotter<sup>3</sup> market comprising senior travelers is one of the most prominent tourist segments visiting Sri Lanka. Typically coming from wealthier countries, gray market tourists have higher disposable income and ample leisure time. However, gray market tourists seek personalized attention and higher service standards. Family travelers<sup>4</sup> are another vital segment that includes larger groups with high expenditure. Often traveling with children, such travelers seek recreational facilities and prioritize safety and security. Nature and culture vultures<sup>5</sup> (NCVs) are another sizable tourist

<sup>3</sup>Tourists age 60 and over. Typically, post-retirement travelers from Europe, the USA, Canada, and Australia.

<sup>4</sup>Tourists age 40 and over who travel with one or more children and come from Europe, Asia Pacific, the USA, Canada, and the Middle East.

<sup>5</sup>Also referred to as the backpacker market segment.

**Table 7.1a** Tourism in Sri Lanka at a Glance

Tourist arrivals by Year	
2016	2,050,832
2017	2,116,407
2018	2,333,796
2019	1,913,702
2020	507,704

Source: Author developed based on Sri Lanka Tourist Development Authority (SLTDA) (2021)

**Table 7.1b** Tourism in Sri Lanka at a Glance

Tourist arrivals by source market (2018–2020)	
Europe	46%
Asia Pacific	44%
Americas	6%
Middle East	3%
Africa	1%

Source: Author developed based on SLTDA (2021)

**Table 7.1c** Tourism in Sri Lanka at a Glance. Note: Aggregated arrivals and percentage of arrivals from each country for five years

Top five country of origins of tourists 2016–2020

India	1,610,603	18.1%
China	1,000,504	11.2%
United Kingdom	898,445	10.1%
Germany	589,796	6.6%
France	412,632	4.6%

Source: Author developed based on SLTDA (2021)

**Table 7.1d** Tourism in Sri Lanka at a Glance

Purpose of visit	
Pleasure	87%
Visiting friends and relatives	8%
Business and MICE	4%
Other	1%

Source: Author developed based on SLTDA (2021)

**Table 7.1e** Tourism in Sri Lanka at a Glance

Tourist by age group (2020)	
60+	19.2%
50–59	15.5%
40–49	15.9%
30–39	24.5%
20–29	16.8%
3–19	8.1%

Source: Author developed based on SLTDA (2021)

segment who are outdoors and local culture enthusiasts. Usually made up of millennials, such tourists are more price-sensitive and travel for adventure and unique experiences. The meetings, incentives, conferences, and exhibitions (MICE) segment has rapidly grown in Sri Lanka over the years. These tourists are less price-sensitive and prefer convenient and centralized locations. The diaspora segment is individuals of Sri Lankan origin returning home for holiday or work. While Sri Lanka's tourism industry depends heavily on international arrivals, domestic tourists are often credited for coming to the industry's rescue during challenging times (e.g., during off-season periods or political crises).

MICE, gray market tourists, and family travelers are typically attracted to the country's premier hospitality establishments, including multinational and local chain hotels and resorts. These hotels provide guests with comprehensive amenities and facilities, so one never needs to step off the premises. However, high-end hotels are limited in numbers and have a narrower geographic spread. Nevertheless, not all tourist segments prioritize luxury and comfort. NCVs, for instance, are more interested in discovering new places, meeting new people, and savoring different flavors. Their interests often take them to far ends of the country not served by luxury hotels. To them, hotel accommodation is usually a means to an end rather than an end by itself. In most circumstances, NCVs seek economy hotels, guest houses, homestays, and hostels. Diaspora who visits for longer durations seeks the convenience and value of service apartments. While having varied preferences, domestic tourists often seek bungalows to accommodate larger traveling groups. Yoho Bed's market opportunity is in these latter budget-conscious segments.

The attractiveness of market segments depends on the extent to which they are identifiable, substantial, reachable, responsive, and profitable (Grewal & Levy, 2017). Each budget segment (i.e., NCVs, diaspora, domestic) is distinct in demographics, lifestyle, and buying behavior. While budget segments may have comparatively lesser buying power, they are sizeable enough to support Yoho's growth. More importantly, these segments are growing due to shifting consumer preferences. Increasingly, tourists (e.g., millennials) are seeking authentic local experiences, where they can immerse themselves in the culture and traditions of a place (Mya, 2017; Fromm, 2017). Equally important is the role of technology that is shifting power to consumers. A decade ago, tourists would choose classified or reputed hotels almost by default, as travel agencies facilitated such arrangements. Now, the ability to book online, the availability of online reviews, and other digital content (e.g., videos on YouTube, posts on TripAdvisor) give tourists the confidence to opt for alternative accommodation. In fact, the online hunt for accommodations and perusing venues off the beaten track is part of the travel experience.

A firm's business strategy is a deliberate choice about the activities it will perform to differentiate itself from its competitors (Hitt et al., 2017). To attain a distinct positioning, firms often opt to "perform activities differently or to perform different activities than rivals" (Porter, 1996, p. 64). Firms choose from four main strategies to establish and defend their positioning: cost leadership, differentiation, focused cost leadership, and focused differentiation (Porter, 1985). Yoho tailored its strategy to serve the needs of a few segments, even if it meant it had to ignore other lucrative

markets. By positioning themselves in this market space, Yoho made the competition from the higher-end hotels less relevant. The startup deliberately made a trade-off in how they competed such that they could create a consistent brand image and be the best at what they did. During pitches, Hifnaz justified this strategy:

The budget segment is like thin ice, a space where the industry giants can't or won't go. There is too little to gain and too much to lose in the budget segments. Big-name hotels are more likely to remain in their familiar high-margin grounds.

However, it is not all about cost. In the budget segments, Yoho faced competition from aggregators (e.g., [Booking.com](#), Agoda) and sharing companies (e.g., Airbnb). Yoho Bed's arrangement with its property partners is not exclusive. As such, partners were free to list their rooms on these competing platforms. To counter such rivals, Yoho chose to perform activities differently. Through offline collaboration, Yoho aimed to create value for its property partners and develop sustainable relationships (Jayasundera, 2017). This relationship, supplemented with Yoho Bed's technology and marketing capabilities, made their business idea challenging to imitate. Hifnaz would explain:

Any new entrant can come up with an identical website as ours and even lure some partners with better deals. But competitors can gain very little by replicating one or two of our activities. Our competitive advantage originates from our focused approach and our system of activities that complement one another: our relationship with providers, ability to identify properties, our web, mobile and social presence, customer service, and marketing.

## The Business Model

Since its launch, Yoho Bed has developed an inventory of 3000 rooms. Table 7.2 illustrates the type of properties Yoho offers. Typically, properties approach Yoho to be listed as partners, followed by an in-depth evaluation. During this stage, Yoho carefully assesses the partner's compatibility and the ability to deliver the Yoho Bed brand promise. Hifnaz, who often leads such assessments, outlined Yoho's evaluation criteria:

**Table 7.2** Property types offered by Yoho Bed

Type	Description
Guest House	Private establishments like bed and breakfasts with few rooms and not offering the complete services of a hotel
Boutique Hotel	Small, independently owned establishment with character and ambience, as well as a higher service level than guest houses
Apartments	Fully furnished apartments for a short-term or long-term stay.
Bungalows	Small house or cottage with garden or common space located in remote locations close to nature. Suited for larger traveling groups for a short duration
Home Stay Units	Spare room offered for an affordable fee by a local family. Ideal for tourists to experience the local community and culture

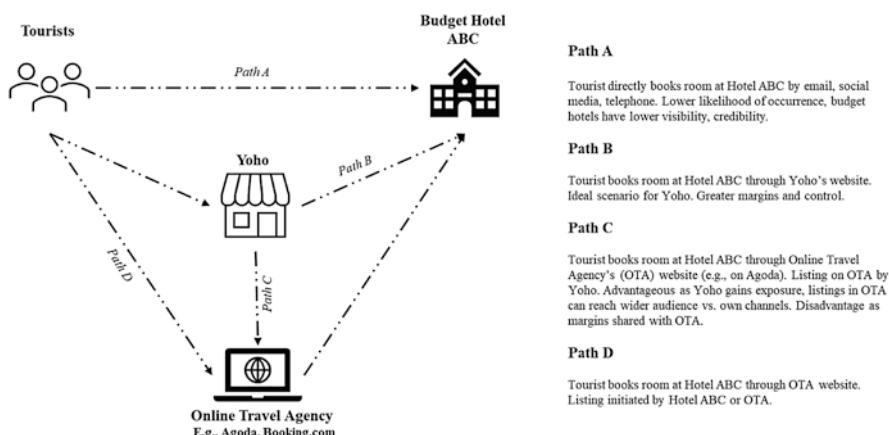
Source: Author developed

We look closely at the tangibles—i.e., the physical facilities, personnel appearance, and overall cleanliness. Not that we expect 5-star standards, but the basic threshold conforming to the property type must be met to give the customers peace of mind. We are also very attentive to the intangibles—the employees’ responsiveness, courtesy, and communication skills. As we are the front end of this service, our credibility is ultimately at stake. Hence, we take all measures to ensure that our customers receive reliable and convenient service.

After getting the green light, managers from property partners undergo induction and training designed to familiarize them with the platform and Yoho Bed’s policies. Partners are expected to follow strict protocols designed to maintain high standards. They also receive access to a partner portal through which they can monitor every booking, financial transaction, and relevant customer details. Yoho Bed’s founders believe maintaining operational transparency is key to building trust with partners. Property partners also receive guidance on elevating the property’s appearance and overall service standards. Property details (e.g., name, description, pricing, pictures of rooms, and amenities) are then uploaded on Yoho Bed’s website. Yoho also provides branded amenities such as toiletries, towels, and notepads. Branded supplies allow Yoho to have some physical representation and ensure that the property is suitably equipped.

Customers book a Yoho room through the company’s website. Yoho enhances its visibility among its target segments through search engine optimization and social media marketing. Yoho also strategically lists their properties with aggregators like [Agoda.com](#) and [Booking.com](#). Listing with such high-traffic websites allows Yoho to increase its brand awareness. Yoho’s demand generation capabilities are a critical contributor to the partnership, as many of its business partners lack the resources or intent to engage in marketing-related activities. Figure 7.1 provides a pictorial overview of booking options available to tourists.

Customers pay the room fee while booking on Yoho’s website, whereas ancillary services payments (e.g., meals and beverages) are made at the property. Yoho charges its business partners a flat fee on every booking, which varies based on the



**Fig. 7.1** Booking options for tourists for budget hotels in Sri Lanka. (Source: Author developed)

property category (refer back to Table 7.2). This pricing strategy runs counter to the industry norm where aggregators typically charge a percentage of the rental plus administration fees (e.g., for listing). Yoho maintains an in-house call center to provide round-the-clock customer service assisting tourists with general inquiries, bookings, billing, trip management, and complaints. Centralized customer care gives Yoho an element of control often missing from the sharing economy model. This involvement provides Yoho with some scope to shape their guest's experience. Customer support is a crucial differentiator for Yoho and sets it apart from its competitors. Rival platforms (e.g., aggregators) operate more like a self-service marketplace passing much of the responsibility to customers. Since many tourists travel to multiple locations, the customer care team can provide a one-stop solution by making bookings at other hotels in the firm's network.

Property partners are paid on a biweekly basis. During this time, Yoho also shares customer feedback for developmental purposes. Subsequently, Yoho's account management teams carry out periodic audits. Audits involve reinspecting the property, reviewing performance, and developing upcoming promotions and campaigns.

## Where to From Here?

It was the end of a productive day for the Yoho team. They managed to review all six hotels and were happy with what they saw. As Hifnaz anticipated, Villa Nilwela was a true hidden gem. But that day's inspection was only the first step of a series of activities necessary to approve and list a hotel. On the way back, an enthusiastic team member asks Hifnaz about the startup's upcoming plans. Happy to see the passion, Hifnaz shared some ideas on which he and the founders were working.

Yoho enjoyed a prosperous beginning and was achieving growth that far exceeded the founders' expectations. In a very short time span, it became Sri Lanka's largest online hotel network (Daily News, 2019). But the ambitious entrepreneurs know that there is much to be done. A key issue facing platform businesses, in general, is gaining a critical mass of end-users and service providers, a necessity for sustainable growth. The ability to achieve a critical mass depends on the network effects created by the platform (Evans & Schmalensee, 2010). Indirect network effects refer to the utility derived by one actor group (e.g., tourists) from the presence and size of another group (e.g., hotels) and vice versa (Evans & Schmalensee, 2010; McIntyre & Srinivasan, 2017). If there are not enough users of one or both types, the platform will not have sufficient appeal to drive adoption. While Yoho has done well in attracting a sizable number of providers, it needs a commensurate increase in its customer base to keep its partners interested.

In contrast, direct network effects are the value for an actor group (e.g., tourists) from the presence of the same actor group (e.g., tourists) (McIntyre & Srinivasan, 2017). As more customers use Yoho Bed's services, more online reviews and recommendations will draw in new users. Similarly, the success of the enlisted property partners encourages the participation of others.

Firms with substantial network effects are well-positioned to attain the coveted critical mass (Evans & Schmalensee, 2010). Industry evidence suggests that such firms can achieve nonlinear exponential growth from that milestone onwards (O'Briant, 2018; Stummer et al., 2018). Not only do such firms enjoy enhanced brand awareness, but the platform's usage by itself attracts new users (i.e., independent of existing marketing initiatives) (Ruutu et al., 2017). In other words, the mere participation of providers and users is enough to generate word of mouth, earned media, and trigger the involvement of others. Moreover, such positions enable firms to develop a formidable defense against competitors and new entrants (McIntyre et al., 2017; Van Alstyne et al., 2016). However, not all firms reach this critical juncture. The failure to attain a critical mass could be due to their inability to generate user interest or competition from rival platforms. Eventually, some of these firms lose market share to more dominant competitors. Many are no longer able to sustain their operations and thus perish. Yoho Bed's founders brainstormed various strategic directions to take the startup forward.

## ***Pursue Organic Growth***

A relatively straightforward and low-risk approach would involve deepening Yoho Bed's strategic position. Here, Yoho would need to concentrate all its resources (i.e., financial, managerial focus) on specific segments and, within those areas of concentration, seek to perform better than its rivals. Several approaches could be adopted to reinforce this strategy. To penetrate its target markets, Yoho could boost its marketing efforts through intensified advertising (i.e., online and offline), sales promotions (e.g., special packages), and channel development initiatives (e.g., partnering with foreign travel companies). A key priority would be generating greater interest among foreign tourists (e.g., NCV) and increasing the number of bookings from such segments. Upon reaching performance objectives in these markets, Yoho could pursue phased diversification. In other words, while maintaining a primary focus on its main target market, Yoho could explore opportunities that are natural extensions of the original position (Collins & Lazier, 2020). For instance, in addition to accommodation, Yoho could offer airport transfers, tours, and food and beverage options. The business might even consider entering adjacent market segments (e.g., through 1–3-star hotels), provided they did not stray too far from its core focus.

This strategy might enable Yoho to achieve steady growth and prevent it from making wrong bets that might cripple a resource-strapped startup. A narrow focus would make Yoho more distinguishable in the market and allow it to dominate the budget category. Nevertheless, there are potential shortcomings of this strategy. The Sri Lankan market is much smaller than other regional tourist destinations (e.g., Malaysia or Thailand). A narrow focus may constrain growth prospects and make Yoho vulnerable to imitation from new entrants, cyclical trends, and other macro trends.

## ***Pursue Expansive Growth***

In contrast, a more aggressive and higher-risk strategy would entail broadening its position. This strategy would involve diversifying to market segments currently not being served. The approach may also include introducing new related or unrelated services. Thus, similar to other aggregators, Yoho could list rooms from various hotels (i.e., from budget to boutique to high-end resorts). To make this strategy feasible, Yoho would need to reduce their involvement with individual property partners and customers. In other words, they would need to transition from a hybrid to a pure platform model focusing solely on facilitation. Throwing a wider net and targeting additional segments might enable faster growth. This expanded approach may also mitigate some risks associated with serving narrow segments in a smaller market.

Additionally, Yoho could invest resources in newer business areas. As an example, the firm could get involved in the retailing of souvenirs and other products associated with tourism. A bolder strategy might involve leveraging existing knowledge and learning to develop platforms for other services (e.g., food delivery, education).

A larger market size (i.e., as a consequence of serving broader segments) and a faster growth rate will be advantageous if Yoho plans to seek external funding (e.g., from venture capital firms). Rapid growth may also lead to greater network effects, making the company more appealing from various stakeholder perspectives (e.g., employees, suppliers). Nonetheless, pursuing rapid growth often erodes an enterprise's competitive advantage. By broadening its strategic position, Yoho may risk the possibility of blurring its uniqueness and making critical compromises. Moreover, rapid growth stretches a startup's resources and infrastructure thin and puts tremendous strain on its people.

## ***Go International***

Internationalization permits Yoho to accrue the benefits of focused and diversified approaches simultaneously. Yoho Bed's business is predominantly based on digital infrastructure. Unlike traditional brick-and-mortar-type firms, digital firms do not require substantial capital investment to scale up their business, with the marginal costs for reaching new customers significantly less. Digital firms' scalability and flexibility enable them to service foreign markets almost instantaneously (Monaghan et al., 2020). However, the degree of digitization among firms varies, with some being more digitized than others. Yoho Bed's present business strategy necessitates participation in offline activities. Despite this, the company could target similar regional markets (e.g., Bangladesh, Nepal, Bhutan). A larger amalgamated market across multiple countries could enhance its ability to accrue network effects. Further, given that it would have a larger target market (i.e., through multicountry), Yoho

could afford to retain its focused approach to maximize its competitive advantage. Internationalization would nevertheless have its own set of challenges. Yoho would need to overcome the liability of newness in international markets to gain the trust and confidence of local hotel companies. The startup would require competent teams in the host countries if it wished to retain its collaborative model.

After nearly 13 h on the road, Hifnaz was finally back home. While the day's work wore him out, his passionate team discussions left him with renewed confidence and optimism. He was excited about Vila Nilwella; perhaps many more such properties were waiting to be discovered. The team's hard work and sacrifice helped Yoho build a strong base. The next step was charting a new course to make Yoho an enduring great institution.

## Conclusion

Sharing economy firms are disrupting the foundations upon which established industries are based. Technological advances and changing consumer preferences will continue to drive preference toward platforms. One sector where the sharing economy may have the most significant impact is hospitality and tourism. Yoho's story showcases how quickly sharing economy firms can grow and alter the rules of the game in a market. By orienting itself to serve the interests of both providers and customers, Yoho has created a potentially sustainable business model, where every player has something to gain. Further, in contrast to other platforms, Yoho goes the extra mile through their collaborative approach with providers and exceptional attention to customers.

However, as evidenced in the case, implementing this hybrid model is challenging. On top of that, adverse macro-environmental conditions have prompted Yoho founders to ponder the firm's next steps. Using the narrative provided in the case study and relevant theories, students can cast themselves as entrepreneurs or consultants and strategize Yoho's future journey as a platform business. What strategic directions should the firm undertake? What route will take them closer to the much-desired critical mass? How can Yoho address some of the inherent limitations of the sharing economy model? This exercise would require students to ideate effective governance mechanisms to gain partners' compliance. Is dual orientation in sharing economy model sustainable? Given Yoho's scarcity of resources, students should evaluate potential funding sources. Should they seek venture capital or continue to grow organically, what would be the merits and drawbacks of both approaches? From a marketing perspective, what segments should Yoho target, and how can they shape the segment's preference toward their offering? With the proper guidance, Yoho Bed may become the next big hospitality name to watch out for.

## Teaching Note

### Case Summary

The case highlights Yoho Bed's business model, current challenges, competitive strategies, and strategic options to scale the business. Yoho Bed is a sharing economy firm that facilitates exchange between budget-conscious tourists and 500 small-sized hotels in 25 communities across Sri Lanka. Unlike other online room aggregators (e.g., Agoda, [booking.com](#), Airbnb), Yoho Bed differentiates itself by extending managerial and technological expertise to hotel partners. Despite Yoho Bed's success as a 2016 bootstrapped startup, it faces numerous challenges impeding growth. While successful from a launch perspective, Yoho Bed's strategy focuses on a small and narrow market. It also has to contend with highly volatile and unfavorable macro-environmental conditions. To scale the business and move forward, Yoho Bed is considering three options: deepen its strategic position, diversify, or expand internationally.

### Teaching and Learning Objectives

Four student learning objectives are posed in addressing Yoho Bed's future. Based on the analysis, synthesis, and discussion of the case, students will demonstrate their ability to:

1. *Understand the business model of digital platforms, relate to their unique challenges compared to traditional firms, and recognize the importance of network effects on their growth and performance.*
2. *Identify and analyze potential adverse effects on Yoho Bed's current and future performance due to competitive hospitality industry forces in the immediate environment and overall macro-environmental forces.*
3. *Compare and contrast the three strategic directions under consideration (or your own), and select the appropriate strategy to support Yoho Bed's scaling.*
4. *Evaluate Yoho Bed's business model, market segmentation, targeting, positioning, and marketing mix strategies, and then design strategies and tactics to support your proposed new strategic direction.*

### Target Audience

The case can be utilized for upper-level undergraduate and master's degree students in hospitality, marketing, entrepreneurship, and international business courses. Foundational knowledge of strategic management and marketing (e.g., concepts,

frameworks, tools) may be necessary to attempt the discussion questions. Topics in the case include but are not limited to strategic planning, market segmentation, targeting, positioning, growth strategies, competitive advantage, marketing mix, and international market entry. These topics are discussed in the context of a startup with a contemporary business model (i.e., sharing, digital platforms).

## Teaching Approach and Strategy

Students may be assigned the case 1 week before the discussion in class. Depending on the instructor's wishes, supplemental reading on theoretical concepts in the case can be provided (See recommended list included). Furthermore, students are encouraged to familiarize themselves with Sri Lanka and its tourism industry. A 2-h session is suggested. The instructor can begin with the case objectives and a brief case overview linking it with theories or content in the course (15 min). Breaking the class into groups and assigning one or more discussion questions should prove effective. Students should be encouraged to see themselves as one of Yoho Bed's management team members or outside consultants. Students may be given flip-charts and markers and 40 min to brainstorm their responses. Flipcharts as a tool (versus PowerPoint) may encourage teamwork and creativity and facilitate enjoyable brainstorming. The instructor should spend time with each group during the brainstorming session to provide immediate feedback. Groups then present their findings to the class using flipcharts (50 min). Finally, the instructor wraps up the session by highlighting key ideas presented by groups and providing their input and additional feedback (15 min). An outline of the teaching strategy is provided below.

Time	Tasks	Tools, resources, and activities
10– 15 min	<b>Introduction</b> Brief Overview of Case Link to Course Material/Content Group Formation	General Discussion
30– 40 min	<b>Discussion Questions</b> Students to brainstorm discussion questions in groups and provide their responses in flip charts <i>Q1. External and Strategic Analysis</i> Analyze the impact of industry and environmental factors on Yoho's business. Identification of Yoho's strengths and weaknesses. Strategic recommendation based on external and strategic analysis.	Porter's 5 Forces PEST Analysis SWOT, TOWS Analysis
	Q2. Advantages and disadvantages of digital platforms in the hospitality industry. Critical evaluation of Yoho's hybrid model	Refer to Eckhardt et al. (2019) and Wirtz et al. (2019)

(continued)

Time	Tasks	Tools, resources, and activities
	<p><i>Q3. Marketing Strategy</i>            Assessment of Yoho's market segmentation, targeting, and positioning            Strategic recommendation to increase adoption and growth</p>	Segmentation, Targeting, and Positioning Marketing Mix Perceptual Mapping Ansoff's Matrix
	<p><i>Q4. Strategic Direction</i>            Analysis of strategic options to scale the business            Strategic recommendation based on Yoho's business context</p>	Porter's Generic Strategies The Hedgehog Concept
40–50 min	<b>Presentation</b> Students to present their ideas/responses to discussion questions using flipcharts	General Discussion
10–15 min	<b>Epilogue</b> Debrief and wrap-up of the key learning from the presentation Link to course material/content	General Discussion
<b>Total: 90–120 min</b>		

## Discussion Questions

- Identify industry and external environmental forces that may affect how Yoho competes in the next few years.

Next, outline Yoho Bed's internal strengths and weaknesses and recommend appropriate actions to meet these challenges.

- Describe the merits and drawbacks of the digital platform model in the hospitality industry.
- Critically evaluate Yoho's adaptation of the digital platform model. Explain why Yoho's hybrid model is both a source of competitive advantage and an impediment.
- Evaluate the attractiveness of the various market segments Yoho Bed can target. Recommend appropriate growth and marketing mix strategies that Yoho can utilize to increase adoption from the customer perspective. Consider how the chosen strategies may generate network effects.
- Assess Yoho Bed's three strategic options to scale the business.

Identify the benefits and drawbacks of each approach and recommend the appropriate strategic direction based on Yoho's current business context.

**Question 1: Answer Guide** Firms must understand the environment they operate in before deciding on their strategies. Groups are expected to identify the most pertinent influences from the industry and external environments. Is it an opportunity or threat? This could be done through information from the case study, basic web research, and students' general knowledge. Students need not address every factor and only base their response around what is most pertinent to the circumstances

surrounding Yoho Bed. In addition to gaining an appreciation of the industry and macro environment, firms must recognize their strengths and weaknesses to develop an effective strategy. What areas does Yoho do well, and where does it need improvement?

**Question 2: Answer Guide** Digital platforms create opportunities for numerous stakeholders in the hospitality industry: the platform firm, provider, and customers. The platform's ability to crowdsource supply enables them to aggregate a large inventory of geographically dispersed rooms in a short time. As platforms have limited assets and fewer employees, the model is more readily scalable compared to traditional firms. Providers (e.g., smaller hotels and guest houses) can benefit from platforms' reach and marketing capabilities. Customers have a plethora of options to suit their budgets and preferences. Nevertheless, platform models are not without their drawbacks. Providers have high levels of agency, reducing the platform's control over customer experience. Yoho's hybrid model is designed to mitigate some of the challenges associated with platforms. Groups must assess this model and demonstrate their understanding of the advantages and inherent limitations. Do the benefits of the collaborative approach outweigh the impediments to scaling?

**Question 3: Answer Guide** The case study outlines broad tourist segments in Sri Lanka. It also provides evidence of Yoho Bed's target market segments: nature and culture vultures, diaspora, and domestic tourists. Groups should use the various bases for market segmentation to describe how Yoho segments the hospitality market. There is no single way to segment a market; different bases must be combined to view the market structure. Selected segments should then be evaluated and Yoho Bed's targeting strategy outlined. In general, Yoho Bed's targeting strategy concentrates on providing a specific type of offering (i.e., budget accommodation) to narrow segments with identical needs. Eventually, if the startup aspires to diversify (like a mainstream platform), it will need to develop different offerings (e.g., classified star hotels, budget hotels, villas) for its various segments. Firms typically base their positioning on their competitive advantage and effectively communicate the chosen position to their target segments.

For the second part, breakout groups must discuss marketing strategies to reduce the provider-user gap. Growth strategies (also referred to as Ansoff's matrix) can be utilized to recommend strategic options available to Yoho. Yoho Bed can employ a market penetration strategy to boost its number of users. Market penetration strategies use a firm's existing marketing mix and focus on its prevailing customer segments. The overall aim of this strategy would be to attract new customers to the target market or to encourage existing customers to buy more. Market penetration requires increased marketing efforts such as advertising, sales promotion, and distribution. Students can recommend various ideas to enable Yoho to increase market penetration in their target segments. Furthermore, students can focus on one or more marketing mix elements to recommend actionable plans for Yoho Bed.

**Question 4: Answer Guide** The case study outlines three broad strategic directions for Yoho to scale the business and take it forward: pursuing organic growth, expansive growth, and going international. Groups can evaluate the benefits and drawbacks of each option using information from the case, content taught in the course, and their own experience. In a table, students can list all three strategic options and their advantages and disadvantages. Based on this analysis, groups must advocate for a specific strategic direction, providing a clear rationale to support their decision. There are no right and wrong answers. Groups can develop their own strategic ideas (i.e., beyond what is offered in the case) or use a blend of approaches.

## Supplementary Readings

### Sharing Economy, Platforms, and Network Effects

Students should understand the fundamentals of sharing economy model-definition, core features, and types of platforms. Particular attention should be devoted to recognizing the differences from traditional business models. Understanding direct and indirect network effects is essential, as this may be a platform source of competitive advantage.

- Cusamano, M. A., Yoffie, D. B., & Gawer, A. (2020) The future of platforms. *MIT Sloan Management Review*, 61(3), 46–54.
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- Van Alstyne, M. W., Parker, G. G., & Choudary, S. P. (2016). Pipelines, platforms, and the new rules of strategy. *Harvard Business Review*, 94(4), 54–62.
- Wirtz, J., So, K. K. F., Mody, M. A., Liu, S. Q., & Chun, H. E. H. (2019). Platforms in the peer-to-peer sharing economy. *Journal of Service Management*, 30(4), 452–483. <https://doi.org/10.1108/JOSM-11-2018-0369>.

## Strategy

Students should have familiarity with strategy, generic strategies, and various strategy tools. If students are deficient or have not yet covered these topics, the sources below should help.

- Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2017). *Competitiveness & globalization concepts and cases* (12nd ed.). Cengage Learning.
- Porter, M. E. (1996). What is strategy? *Harvard Business Review*, November–December, 74(6), 61–78.
- Porter, M. E. (2008). The five competitive forces that shape strategy. *Harvard Business Review*, 86(1), 78–94.

## Marketing

Students must understand marketing segmentation, targeting, positioning, application of growth strategies, and marketing mix. The sources below should aid in providing information if they have not covered this material.

- Grewal, D., & Levy, M. (2017). *Marketing* (5th ed.). McGraw-Hill Education.
- Kotler, P., Armstrong, G., Opresnik, M. O. (2018). *Principles of marketing* (17th ed.). Harlow: Pearson.

## Sri Lanka Tourism

A familiarity with Sri Lanka and the country's tourism industry will help students relate to the case study. This material is not necessary but certainly will provide both some breadth and depth valuable to classroom discussion.

Sri Lanka Tourist Development Authority. (2020). *Tourism Sri Lanka: Volume 2*.  
[https://sltda.gov.lk/storage/common\\_media/Tourism%20Sri%20Lanka%202020%20Volume%2014219017509.pdf](https://sltda.gov.lk/storage/common_media/Tourism%20Sri%20Lanka%202020%20Volume%2014219017509.pdf).

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[https://www.sltda.gov.lk/storage/common\\_media/Annual%20Statistical%20Report%202021%20-Final%202025.4.20223624932970.pdf](https://www.sltda.gov.lk/storage/common_media/Annual%20Statistical%20Report%202021%20-Final%202025.4.20223624932970.pdf).

## Useful Websites

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- de Silva, C. (2021, June 10). Sri Lanka is the next growth haven: BOI Chief. *Daily FT*.
- Eckhardt, G. M., Houston, M. B., Jiang, B., Lamberton, C., Rindfleisch, A., & Zervas, G. (2019). Marketing in the sharing economy. *Journal of Marketing*, 83(5), 5–27. <https://doi.org/10.1177/0022242919861929>
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- Fromm, J. (2017, November 8). Why millennials are the most important consumer generation for the travel industry. *Forbes*. <https://www.forbes.com/sites/jefffromm/2017/11/08/why-millennials-are-the-most-important-consumer-generation-for-the-travel-industry/?sh=179952b5e1f1>.
- Grewal, D., & Levy, M. (2017). *Marketing* (5th ed.). McGraw-Hill Education.
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## Chapter 8

# Cutting Retention with a Knife: Managing COVID-19-Impacted Turnover Within the Rooms and Culinary Departments at Fairmont Banff Springs



Michael W. Lever 

## Introduction

What would you do if you were given the opportunity to work among the Canadian Rockies in a UNESCO World Heritage Site at one of the most luxurious resorts in Canada? It turns out the answer is surprisingly complicated for many who have applied in recent years. Ashleigh Wylie, the Director of Regional Talent Acquisition for Canada's Western Mountain Region, has what she believes is an incredible opportunity for those looking for work within the hospitality industry. To demonstrate this, she has outlined her current employee wage and benefits strategy, which she feels offers highly competitive employment that should motivate new employees to apply and ultimately stay within their roles. Specifically, Ashleigh is currently offering rates of pay directly in line with that area, plus:

- All full-time employees receive a comprehensive benefits package, employee discount travel rates, and access to Fairmont's Employee Assistance Program.
- They have a culinary apprenticeship program, where they support employees during their time away from work to obtain the education component of their apprenticeship. During this time, they provide employees with opportunities to learn and develop themselves as an apprentice while on the job.
- All full-time employees receive a heavily subsidised accommodation package, typically around \$500 per month for rent, and in the town of Banff, rent can range anywhere from \$800+ per month.
- A staff cafeteria where all employees receive one free meal for every shift they work, plus the ability to purchase subsequent meals for \$4.00 per person (a hot buffet meal).

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Research examining reasons to stay within the hospitality industry would agree with the positive impact offered by many of these perks. For instance, Vasquez (2014) found that 100% of his study's participants felt that their ability to make money from regular sources (i.e. tips) was their primary reason to stay. Beyond this, they also expected to have a good relationship with management (75%), effective training (75%), good support from management (50%), opportunities to grow within the organisation (50%), and cash incentives for upselling and upgrading guests (50%). Indeed, there is strong evidence that motivated employees directly impact an organisation's performance (Lee & Raschke, 2016). This impact is seen both intrinsically (i.e. derived from within the individual, such as personal enjoyment or self-worth) and extrinsically (i.e. originated outside of the individual, such as salary or a firm deadline) (Tovmasyan & Minasyan, 2020). Yet the influence of these motivations is still disputed in the current research on which type of motivation is more important to employees seeking satisfaction with their work (and ultimately, choosing to stay). For example, when considering incentives, Tovmasyan and Minasyan (2020) noted that material incentives, including competitive salaries, health insurance plans, and company rewards, were more important to employees than non-material incentives like career advancement and flexible work schedules or a healthy work environment. In another study by Holston-Okae and Mushi (2018) using the motivation-hygiene theory, the authors concluded that motivation on its own was not a significant predictor of employees' turnover intentions but rather job satisfaction, employee compensation, employee engagement, and work environment that made this determination.

Although authors typically agree that employees are deciding to leave their job due to either receiving too low of a salary, suffering from team-based conflicts, or struggling to advance in their current careers (Tovmasyan & Minasyan, 2020), none of these explain why turnover may also increase during times of major upheaval in the hospitality industry, referred to as shock events (Lee & Mitchell, 1994). The most recent example of a 'shock to the system' has undoubtedly been that of COVID-19, which has devastated the hospitality industry since first appearing in late 2019. Turnover during COVID-19 is of particular importance for those who choose to leave, indicating that they were satisfied with their jobs and not actively searching for another one at the time of departure yet go anyways.

## **Job Embeddedness' Impact on Employee Turnover**

A possible explanation comes from the construct of job embeddedness developed by Mitchell et al. (2001) as an alternative view of the true causes of turnover. Using the metaphor of a net or a web in which one may become entangled, an employee may become similarly embedded in their role at work. These ways include the extent of existing links to others in and outside of the organisation, the fit of their job to other areas of the organisation and other aspects of their life, and the ease of severing the link to the organisation and their community. Job embeddedness is a

promising theory to attach to the increase in turnover at Fairmont Banff Springs during COVID-19 as it may help to explain not only why some employees choose to stay despite the direct impact on their work by the pandemic but also why people who do not intend to leave still do.

Indeed, despite the competitive wages and benefits offered by Fairmont Banff Springs, Ashleigh has noticed a clear trend of employees from both the Culinary and Rooms Departments leaving and changing careers more frequently than is typically seen within the industry. This has been difficult for Ashleigh to understand, noting that, for example, the Culinary Department has more tiers for leadership and growth opportunities than any others in the organisation. ‘We have second cooks, first cooks, demi chef de partie, chef de partie (supervisor), and more in management’, she says, adding that ‘these are just our hourly positions; therefore, there is a lot of growth opportunity. However, they are saying in their departures that they are seeking more opportunities for development. After two years that the world has been unpredictable, we are seeing many people transition on, which we assume is partly because of them being more cautious over the last two years’.

The turnover trend is also apparent in the Rooms Department, which is the most critical piece of the hotel since, without adequate staffing for room attendants, Fairmont cannot provide hotel rooms to its guests. Ashleigh has pointed to the lack of ‘prestige’ as a potential explainer of this: ‘Candidates applying to the hotel do not prefer to clean rooms, they regularly request the more prestigious positions, like front desk, reservations, concierge, as they appear more glamorous. We have not been receiving the applications that we have seen in the past, while we are doing more than ever to market the positions’. It was right around the beginning of the COVID-19 pandemic that Ashleigh noticed the shift and is confident that whatever may be happening, the pandemic has something to do with it.

Therefore, the purpose of this case is to assess Fairmont Banff-Spring’s turnover as impacted by the COVID-19 pandemic over the past 2 years to develop a pathway forward for them to decrease their Rooms and Culinary Department employees’ turnover by focusing on the factors that motivate them to remain long term within the organisation.

## About Fairmont Banff Springs

Offering luxurious rooms and world-class dining since it first opened its doors in 1907, the Fairmont Hotels and Resorts brand has grown since that time to provide a home away from home for guests of all types, including A-list celebrities, politicians, and members of royalty. Among their offerings of luxury hotels is the Fairmont Banff Springs, located in Banff National Park (a UNESCO World Heritage Site) in Alberta, Canada, for the past 130 years (Fairmont, 2022). According to their website, the hotel ‘is a year-round luxury mountain resort that offers a championship golf course during the summer, unparalleled skiing in the winter, the award-winning European-style Willow Stream Spa, and authentically local dining

experiences'. From the employees' perspective, Fairmont's parent organisation, Accor, has been recognised in both 2019 and 2020 as one of Canada's Top 100 Employers and the recipient of the Best Customer Service Freddie Award in 2019.

## **Impact of COVID-19 on the Hotel Industry**

The COVID-19 pandemic has been devastating to the tourism and hospitality industry since it first appeared in 2019 (Gursoy & Chi, 2020) and has only started to return to pre-pandemic numbers but with a long way to go. For instance, in 2019, the Canadian hotel industry experienced a 1.5% supply growth over 2018, with generally stable occupancy levels during that same timeframe (STR, 2019). Industry experts were projecting an increase in Revenue per Available Room (RevPAR) of 0.6% in 2020. Referring to the luxury chain scale, in particular, STR was projecting a 0.9% growth in RevPAR and an Average Daily Rate (ADR) growth of 1.2% from 2019 to 2020, but then the pandemic hit.

Starting in January 2020 and continuing swiftly throughout the next 2 years, COVID-19 halted all growth in this sector. In Q1 of 2020, for instance, the Canadian hotel sector saw occupancy levels of only 19% (31.3% in 2021), ADR of \$106.79 (\$118.05 in 2021), and RevPAR of \$20.34 (\$36.94 in 2021). Comparing today's figures to 2019 data reveals significant declines in each indicator, such as a 36% decline in occupancy, a 10.6% decline in ADR, and a whopping 42.7% decline in RevPAR since 2019 (Hospitality Net, 2022).

## **Rethinking Retention at Fairmont Banff Springs**

At this point in the pandemic, Ashleigh and her team want to start putting the pieces back together to minimise the number of disruptions to their guests as much as possible. However, their challenges in retention in the Rooms and Culinary Departments continue to threaten that goal. What Ashleigh believes needs to be done is to identify the areas where these jobs may have been less ideal during COVID-19 than 'normal' times and then present solutions to overcome those problem areas to keep staff on longer, often transitioning into management-based roles where the pay levels increase, and employees should feel more motivated to stay. To accomplish the first objective of identifying areas where weaknesses within these positions may be pinpointed, Ashleigh has provided a summary of each role's job descriptions and primary duties for both the Culinary and Rooms Departments presented in Table 8.1. Hourly rates of pay for each role are based on the work being performed. Stewarding attendants, housekeeping attendants, and second cooks each start at the lowest pay rates, followed by first cooks, then housekeeping supervisors, and finally chef de parties who are paid the most among those in these departments.

Next, the reasons given by employees for departure from Fairmont Banff Springs in their exit interviews have been summarised in Table 8.2, both for 2019

**Table 8.1** Job description summaries and duties

Role	Job description (from advertisement)	Primary duties
Stewarding attendant	Are you looking to start your career in the food and beverage industry? This stewarding position will provide you with the start you need to help grow your career while enjoying a work-life balance and all the great activities living in Banff brings	Operating industrial dishwashers; washing glassware and other items by hand; pot and pan ware washing; cleaning of kitchen equipment lines; responsible for the cleanliness and sanitising of all surfaces; recycling and trash removal from all areas; ensuring clean and dry floors and work areas clear of hazards; following and adhering to all safety protocols
Housekeeping supervisor	Memorable experiences for our guests and colleagues are the essence of being a leader with Fairmont Hotels and Resorts. As a housekeeping supervisor, your attention to detail will show the housekeeping team that you are committed to providing luxury guest experiences. The energy and enthusiasm you display will create a ‘fun’ place to work	Oversee housekeeping attendant team (calls, floor supports, linen, public spaces and glass runner); offer professional and friendly service; lead and supervise day-to-day operation of the department to ensure standards are followed; coach colleagues; handle and react to guest concerns; participate in daily briefing and warm up; ensure room attendants are informed of policies; report necessary maintenance items; follow all safety and sanitation policies
Housekeeping attendant	We are searching for creative, enthusiastic, self-motivated individuals with a strong work ethic who consistently strive for perfection. This role exists to support the needs of the room attendants, guest calls, and linen sorting as well as supporting the public areas of the hotel. This position you will be scheduled for a variety of shifts varying from mornings, afternoons, and evenings	Consistently offer professional, engaging, and friendly service; responsible for sanitising ice machines on guest room floors; adhere to standard operating procedures related to housekeeping department; maintenance and upkeep of backspaces; support room attendants by removing dirty linens and guest supplies in appropriate places; sort dirty linen ready for laundry service export; maintenance and upkeep of guest corridors and public spaces; clean dirty glassware from guestrooms and restock clean glassware; load/unload glass machines
First cook	Do you have a natural passion and creativity when it comes to cooking? Would you like be part of a dynamic and innovative team in one of the largest hotels in Canada? Continue your career in the kitchen and come and work with our committed chefs and strong culinary team preparing and serving the finest meals with amazing local ingredients	Prepare, cook, and serve all food items for a la carte and/or buffet menus to the recipes and standards; have full knowledge of all menu items in their area; participate in the creation of daily features and promotions; receive and maintain proper rotation of products to minimise waste/spoilage; adhere to and follow all health and safety protocols; flexible to work in any kitchen venue environment at any time

(continued)

**Table 8.1** (continued)

Role	Job description (from advertisement)	Primary duties
First cook—pastry/bakeshop	Do you have a natural passion and creativity when it comes to baking and pastry arts? Would you like be part of a dynamic and innovative team in one of the largest hotels in Canada? Continue your career in the kitchen and come and work with our committed chefs and strong culinary team preparing and serving the finest meals with amazing local ingredients	Proficient in artisan breads, quick breads, and laminated products; prepare daily production of fresh artisan breads, rolls, muffins, and all other bakeshop items; prepare daily production of fresh scones, cakes, cookies, tarts, squares/bars, tempering chocolate for garnish, truffles, chocolate bars, macarons, and other pastry shop items; receive and maintain proper rotation of products to minimise waste/spoilage; adhere to and follow all health and safety protocols
Second cook	Do you have a natural passion and creativity when it comes to cooking? Would you like be part of a dynamic and innovative team in one of the largest hotels in Canada? Begin your career in the kitchen and come and work with our committed chefs and strong culinary team preparing and serving the finest meals with amazing local ingredients	Prepare, cook, and serve all food items for a la carte and/or buffet menus according to the recipes and standards including <i>mise en place</i> of fruits and vegetables; ensure quality, and freshness, to all food items being prepped; follow all standards set in place by the sous chef; adhere to and follow all health and safety protocols; flexible to work in any kitchen venue environment at any time
Chef de partie	Do you have a natural passion and creativity when it comes to cooking? Would you like be part of a dynamic and innovative team in one of the largest hotels in Canada? Come join our committed chefs and lead our strong culinary team preparing and serving the finest meals with amazing local ingredients	Assist the sous chef with the day-to-day, on-site operations of the kitchen; work within hotel budget guidelines for kitchens to minimise labour costs, food costs, wastage, unnecessary expense, etc.; train, mentor, and lead all cooks below chef de partie level on daily duties and requirements; actively share ideas and suggestions in daily briefing; delegate and participate in preparing, cooking, and serving of all food items for a la carte and/or buffet menus; input repair work orders; place orders for food in Birchstreet system, comply with, and enforce all health and safety measures and protocols

(continued)

**Table 8.1** (continued)

Role	Job description (from advertisement)	Primary duties
Chef de partie—pastry/bakeshop	Do you have a natural passion and creativity when it comes to cooking? Would you like be part of a dynamic and innovative team in one of the largest hotels in Canada? Come join our committed chefs and lead our strong culinary team preparing and serving the finest meals with amazing local ingredients	Assist the sous chef with the day-to-day, on-site operations of the kitchen; work within hotel budget guidelines for kitchens to minimise labour costs, food costs, wastage, unnecessary expense, etc.; train, mentor, and lead all cooks below chef de partie level on daily duties and requirements; actively share ideas and suggestions in daily briefing; delegate and participate in preparing, baking, and serving of all pastry/bakeshop items; input repair work orders; place orders for food in Birchstreet system, comply with, and enforce all health and safety measures and protocols

**Table 8.2** 2019 vs. 2021 termination report with reasons given for departure

	Culinary Department								Rooms Department				
	Chef de Partie		First Cook		Second Cook		Stewarding Attendant		Housekeeping Attendant		Housekeeping Supervisor		
Reason Given	2019	2021	2019	2021	2019	2021	2019	2021	2019	2021	2019	2021	Total Reason
End of Contract	1		1		15	1	7	5	2				32
Personal/Family Reasons	2	1	3	6	12	8	41	6	11	2	1		93
Wage	1												1
Career Opportunity within Hospitality			2	4	1	1		1			1		10
Career Opportunity outside Hospitality			1		2	1	6		2	3		1	16
Transfer to another Fairmont			1										1
Working Conditions			1				1						2
Work Permit Expiry						1			1				2
Return to School						1		2		1			4
<b>Total Quit</b>	<b>4</b>	<b>1</b>	<b>9</b>	<b>10</b>	<b>30</b>	<b>13</b>	<b>55</b>	<b>14</b>	<b>16</b>	<b>7</b>	<b>1</b>	<b>1</b>	

# = number of employees identifying this as a reason for departure

Shaded cell = not identified as a reason for departure

(pre-pandemic) and 2021. The average duration of employment for new hires that ultimately terminated their employment was 3.5 months, with 90 days being the most frequent point of termination. The range of employment was between 1 and 320 days. In 2019 there were 1300 active employees and only 750 in 2021—nearly half of the staff levels pre-COVID-19.

## Discussion

To prepare for this case study, students will need to develop strategies to retain employees from the Culinary and Rooms Departments within the Fairmont Banff Springs Hotel and Resort. Specifically, students must examine the current roles and responsibilities in the context of the COVID-19 pandemic and then discuss what may have changed between 2019 and 2021 in terms of reasons for leaving one's position and whether these reasons differed between functional departments. The following questions will help guide the students with this task:

1. Generally, what patterns can be identified from the provided or publicly available data, and, importantly, what factors can be isolated to motivate employees to remain?
2. Conduct a SWOT analysis on the various aspects of the case study, focusing on the details related to wages, turnover rates, COVID-19 impacts, and future outlooks in a post-COVID-19 context.
3. Referring to Table 8.1, provide an overall summary of the duties and responsibilities for entry-level or senior-level positions within the Rooms and Culinary Departments. What stands out to you from your analysis in terms of comparisons? Are there any noticeable gaps between the departments or between the levels? If so, what types of challenges would these gaps provide for those who are disadvantaged?
4. Conduct an analysis on Table 8.2 by selecting either the Rooms or Culinary Departments and then comparing the 2019 and 2021 levels. What did you find? Were you surprised by the results of your analysis? Why or why not? Considering the reasons provided in the table, can you identify why they may be of particular relevance in the specific context of the Banff area?
5. Thinking about the theory of job embeddedness, how can Fairmont Banff Springs incorporate the six dimensions (i.e. links within/outside of the organisation, fit within/outside the organisation, and ease of severing links within/outside the organisation) to overcome their turnover challenge?

## Conclusion

Despite being an award-winning luxury resort in the heart of a protected UNESCO World Heritage Site, Fairmont Banff Springs has struggled to retain its employees within the Rooms and Culinary Departments due to the COVID-19 pandemic. With staff levels hovering just over half of what they were pre-pandemic, Ashleigh is confident that despite these challenges, things will improve once she can rethink her approach to employee retention and adapt to the changes taking place in the industry at large. The task will not be easy—to reverse two full years' worth of needlessly lost talent—but opportunities are starting to present themselves, and this may just be the push Ashleigh needed to distinguish Fairmont Banff Springs as a truly amazing opportunity for employees in the hospitality industry to work in such a stunning setting.

## Teaching Note

### *Case Summary*

This case is designed to assess the increased turnover rate at the Fairmont Banff Springs Resort in Banff, Alberta, Canada, due to the COVID-19 pandemic. Focusing on the various turnover-related constructs, particularly that of job embeddedness, students are tasked with reviewing the changes and impacts of turnover within the Rooms and Culinary Departments and determine ways in which Fairmont Banff Springs may use the principles of job embeddedness to motivate their employees to remain long-term within the organisation.

### *Teaching and Learning Objectives*

Students who complete this case will be able to identify the following learning outcomes:

1. *Demonstrate an ability to aggregate key information and disseminate a proper path forward for an organisation using the information provided.*
2. *Better understand how roles within both the Rooms and Culinary Departments of a hotel identify essential job duties and responsibilities.*
3. *Examine reported data and relate results to employee retention strategies.*
4. *Apply an understanding of job embeddedness and employee motivation/satisfaction.*

## ***Target Audience***

This case could be easily adapted to suit either an undergraduate- or a graduate-level university course. For instance, at the undergraduate level, students could relate their own experiences in leaving a job to the six dimensions of job embeddedness to see where similarities exist. At the graduate level, students could compare employee turnover across hotels with different classes during COVID-19 and suggest ways each one should adapt their employee retention strategies to minimise turnover.

## ***Teaching Approach and Strategy***

### **Individual or Group Lesson Plan (60–70 min)**

Begin the lesson with a broad discussion about the importance of an effective employee retention strategy within the hospitality industry and the devastating effect of employee turnover (particularly during times of great uncertainty). Next, provide each student with a copy of the case study to examine individually (or in a group) and to respond to the discussion questions presented at the end (reading and responding will take the students roughly 40 min). Following this, bring all students together to discuss their responses, ensuring that the focus on the learning outcomes remains a priority (20 min). After the entire discussion and all questions are satisfactorily answered, inform the students of the exact learning outcomes (10 min).

### **Role-Playing Plan (50–60 min)**

Have the students form into a total of six groups, each representing a different job position within the hotel. The instructor will play the role of Ashleigh Wylie. The role-play exercise is simple: ‘Ashleigh’ will tell each group at the start of the exercise that the role with the most significant level of job embeddedness will receive a paid, all-inclusive vacation to a destination of their choice. Each team will have 25 min to create an argument for how they have established a link and fit their community, made themselves less susceptible to shock events, and increased the difficulty involved in severing the relationship with the organisation. By the end of the initial preparation, the instructor will invite each team to present their efforts. This phase will take 30 min (six groups with 5 min per group). By the end, the instructor will determine which role will receive the vacation (and bragging rights in the class!) (5 min).

## ***Analysis***

The discussion questions are directly tied to the learning outcomes in this teaching note. An effective response by the teams will indicate their comprehension of the expected outcomes.

1. (*Learning Outcome 1*) As the question hints, students are welcome and encouraged to look beyond the case study data to find publicly available information and data provided in the case to summarise key patterns and isolate factors that would encourage employees to remain with Fairmont Banff Springs. Though responses will vary regarding the public data, some patterns in this case study include aspects such as the significant decrease in employees during COVID-19, the importance of the Fairmont brand, the applicability of job embeddedness to overcome high turnover rates, the disparities between different job roles within the Rooms and Culinary Departments, and so on.
2. (*Learning Outcome 1*) Strengths: competitive wages, strong hotel brand, and working perks; weaknesses: high turnover rate for culinary and rooms department; opportunities: high possibility of large tourism bounce-back and lessons learned for future shock events; threats: lingering effects of COVID-19 on travel sentiment and the high turnover rate in the industry overall.
3. (*Learning Outcomes 2 and 3*) Duties for entry-level positions (stewarding attendant, housekeeping attendant, second cook) are typically more supportive of senior-level positions and involve more simple tasks. Responsibilities for senior-level positions (housekeeping supervisor, chef de partie, chef de partie pastry) carry more authority and supervision and more complicated tasks such as ordering and operations decisions. Some pay rate gaps exist among the roles, and the expectations for entry-level positions are of a high standard. Although there do not appear to be major gaps in pay and job duties at Fairmont Banff Springs, students may point to the fact that if there is a gap between these, it can create animosity and decreased job satisfaction and/or motivation.
4. (*Learning Outcomes 2 and 3*) A variety of interesting insights are available here for students to discuss, such as the fact that 58% of those who quit identified personal/family reasons as their main reason for departing (with stewarding attendants being the most impacted role), while ending their contract was the second most stated reason, perhaps pointing to an opportunity to extend these contracts. Given that there were half the employees in 2021 compared to 2019, the students should also pick up on the fact that the numbers presented are difficult to compare and that, for example, a second cook leaving in 2019 to pursue another career in the same industry is not the same as a second cook leaving in 2021 for the same reason. Housekeeping supervisors appear to be the most secure in their positions.
5. (*Learning Outcome 4*) The responses here will be varied, emphasising creativity but adhering to the six dimensions of job embeddedness outlined in the question. Examples of responses may include Fairmont Banff Springs' management inviting employees who reach the 3-month point (the average point at which many

depart the organisation) to engage in conversation about their experience and what they need to continue in that role, offering expedited wage increases, redistribution of duties, establishing a Red Seal certification, or implementing a President Club Retreat and monthly ‘heartiest check-in’ to discuss their performance in an informal setting over a cup of coffee, to name a few.

### ***Additional Readings***

The following resources will help students better understand the role of job embeddedness from the specific perspective of the hospitality industry:

- Robinson, R. N., Kralj, A., Solnet, D. J., Goh, E., & Callan, V. (2014). Thinking job embeddedness not turnover: Towards a better understanding of frontline hotel worker retention. *International Journal of Hospitality Management*, 36, 101–109.
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# Chapter 9

## Driving Innovation and Embracing Change During a Pandemic with Pricing and Analytics Automation: The Case of ALH Hotels



Antoine Bisson, Brett Salter, and Murtaza Rangwala

### Introduction

Revenue management (RM) has developed over time from its early application in airlines 70 years ago, to hotels in the 1980s, to all manners of businesses today (Cross et al., 2009). RM blends science and art, through data management and forecasting customer demand, to pricing products at the market level, to creating inventory controls and optimising inventory availability (Cross, 2011), and to distributing products through a range of channels (Kracht & Wang, 2010). As such, RM is about generating incremental revenues for a business, though RM has also started to include cost management to its portfolio of decision-making, therefore transforming into profit management (Haley & Inge, 2004).

Technology has always been a part of RM, beginning with rules and formulas to calculate demand forecasts (Belobaba, 1987; Littlewood, 2005), to managing numerous distribution channels (Kracht & Wang, 2010), to today's real-time pricing and automated decision-making (Dyshkantiuk et al., 2020). In the past two decades, research has shown that technology and automation are necessary in RM to hasten the decision-making process and to handle the vast amount of data to be processed (Anderson & Xie, 2010; Josephi et al., 2016; Kimes, 2017). Though technology is

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not a prerequisite for RM to take place, its importance has been established in literature (Alrawadieh et al., 2021).

Automated or computerised RM systems (RMS) vary in types but typically have one of two purposes (Mahesh, 2015). RMS can either be decision based or recommendation based. In both cases, the RMS is fed data through integration to other hotel systems (e.g. property management system, channel management system, customer relationship management system, etc.). Decision-based RMS use data to make a decision and then implement it (e.g. forecasting demand, pricing room types, allocating room type allotment per channel, etc.). On the other hand, recommendation-based RMS do not make decisions but provide the user with propositions that the user may implement as is or modify before implementation.

The past decades have seen a soaring use of new technology to assist RM and decision-makers in their endeavours (Yeoman, 2016). There are many other RM tools today that can provide additional technology and data to hotels. Rate shoppers, price optimisers, upsell management systems are such examples. The use of real-time pricing systems has also facilitated hotels' decision-making, especially as part of decision-based RMS (Mahesh, 2015). This was also true during the COVID-19 pandemic, which constrained hotels to three main strategies: close the entire operation, remain open as a regular hotel for essential services, or become a quarantine hotel (Grasso, 2021). This second option to remain trading for limited and essential services allowed hotels to be creative with new technologies for RM decision-making (Pierce, 2021).

This case study follows Brett, the National Accommodation Manager at ALH Hotels and their national brand Nightcap Hotels, and Murtaza, an RM consultant. Through a chronological narrative, the case study shows the implementation of RM practices and an RMS in the group and their subsequent results through the COVID-19 pandemic. The case study looks at a real company and their actual implementation of an RMS and follows each step taken by Brett and Murtaza in analysing their business requirements, comparing different RMS and determining which would work best for them. Some results of this implementation are also shared to show the benefits of automating RM decision-making.

The purpose of this case study is to show an example of a successful implementation of an automated RM decision-based system, with a company that had started with a static RM model, then changed to a manual RMS, finally to selecting innovative RM technology. This case study will allow students to reflect on the implementation of an RM strategy during a pandemic, as well as evaluate the automation of RM decision-making, and to appraise different RMS. Through its narrative, the case study will showcase how RM can help generate incremental revenues and will provide benefits of the automation of RM and of RM technology.

## ALH Hotels Case Study

### About ALH Hotels

ALH Hotels owns and operates a diverse range of accommodation, from pub rooms, motels, resorts, and upscale hotels. As of January 2022, ALH Hotels had 111 accommodation sites with more than 2400 rooms. Seventy of their hotels are branded under Nightcap Hotels brand which was launched in May 2018 (Fig. 9.1), while a further 40 accommodation businesses require a refurbishment program to meet the Nightcap Hotels brand criteria over the coming years. The Nightcap Hotels motto is simple: provide a great overnight stay experience without breaking the bank. The brand is very unique, with all accommodation sites attached to pubs, operating bars, bistros, restaurants, and often other entertainment facilities, such as live music and lounge areas to relax. ALH Hotels' goal is to provide travellers the Nightcap Hotels experience well beyond 100 locations over the next 5 years.

ALH Hotels analysed the data from thousands of past guest feedback and built the Nightcap Hotels brand around what they found guests wanted. It was important that each accommodation site provides a functional room design along with personality and flair that was consistent with the Nightcap Hotels branding (Fig. 9.2). This



**Fig. 9.1** Nightcap Hotels locations as of January 2022. (ALH Hotels, 2022)



**Fig. 9.2** Guest Room at Nightcap at Pymble Hotel, NSW. (ALH Hotels, 2022)

includes key elements such as the signature King Koil bed, a great shower and bathroom with plenty of bench space, along with fast Wi-Fi and plenty of USB charging points located in accessible locations at the bed and desk. Nightcap Hotels believe it is the unexpected extras that keep guests coming back for more, and therefore Nightcap Hotels do not charge for bottles of water and provide each guest a complimentary drink within their restaurant or bars. Nightcap Hotels are located across city centres and suburban and regional locations Australia wide.

### ***Transition to a Manual Revenue Management Process***

In 2014, Brett was hired to develop a new accommodation department and drive the strategic vision and growth of ALH Hotels accommodation. At this stage of the revenue management journey, the majority of the sites operated on a static room rate model: local teams would set a fixed rate for their rooms and, on the odd occasion, adjust to a higher rate for an annual event. If they wanted to make a rate adjustment, they would log a service desk ticket in the internal system, which could then take a day to be approved and adjusted. There was also an annual review, where a dedicated hotel team member would analyse competitor rates and adjust room rates for the next 12-month period, based on demand and how the hotels were positioned in the market. This was a common operating model consistent with many small suburban and country motel operators, where the static rate model is still quite in use.

ALH Hotels' accommodation sites were generally a small component of the overall hotel and pub business, without the expertise of hotel or revenue managers. There would often be annual events fully booked months in advance with no rate increase, added restrictions, or prepayment.

It was obvious at this stage of the revenue management (RM) journey, the greatest opportunity for revenue growth was to allow the hotel managers and admin staff the ability to make rate adjustments in the property management system (PMS) at any time without a lengthy approval process. This would allow the hotel team to instantly react to market conditions and demand, which at the start of 2015 Brett approved and implemented nationally. The change now gave hotel teams access to instantly discount, adjust rates in the PMS to drive occupancy, or increase rates to drive revenue and profit. Brett and his support manager spent a substantial amount of time educating the hotel teams on basic RM (Fig. 9.3). Brett also helped create ALH Hotels' own online RM learning modules. There were several online training sessions conducted, along with more than a dozen face-to-face training sessions held across the country.

Brett acknowledged that many of the local team members were time poor and multitasking in restaurants, bars, and bistros. This meant that more than 90% of the hotel teams did not have full-time accommodation experts positioned at the desk with spare time to review rates and forecast demand. While the RM process was very manual and reliant on hundreds of individual team members, Brett would question what the rate adjustments were based on. Did the team members look at the competition, did they increase rates high enough, or did they look past the next 2 weeks? How often would they review rates and their forecast? What happened

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REVENUE MANAGEMENT & GUEST REVIEWS - TRAINING MANUAL

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## Contents

1	WHAT IS REVENUE MANAGEMENT	Page 3
2	RATE REVIEW	Page 4
3	RATE INTELLIGENCE BY BOOKING.COM (Competitors)	Page 6
4	DYNAMIC PRICING	Page 7
5	REVENUE MANAGEMENT TERMS	Page 8
6	RATE MANAGEMENT	Page 10
7	ADJUSTING TARIFFS IN RMS	Page 11
8	REPUTATION USER GUIDE FOR VENUE MANAGERS	Page 12
9	HOTEL GUIDELINE FOR RESPONDING TO GUEST REVIEWS	Page 15
10	ACTION PLAN	Page 18

Fig. 9.3 Contents of 2018 RM training. (ALH Hotels, 2022)

when the key team member went on holiday or departed the business? Who ultimately managed the rates?

From 2015 through to 2019, Brett allowed team members instant access to manipulate rates. During this period, ALH Hotels experienced a national growth of \$12 average room rate, including a 9% growth in occupancy points and a compounding average revenue growth of 13% year on year. ALH Hotels were now consistently above the market in occupancy levels in both the economy and midscale markets; however, Brett thought that there was still a substantial amount of revenue left on the table.

At the start of 2020, ALH Hotels owned and operated 102 accommodation sites, 2172 rooms, and more than 300 room types to manage. The Nightcap Hotels brand was 2 years old and had grown to more than 50 locations. ALH Hotels had a central accommodation team of four team members in operations and sales, though with no central revenue manager. Brett continued to see missed opportunities to drive revenue, and it was time to look at taking the revenue to a whole new level.

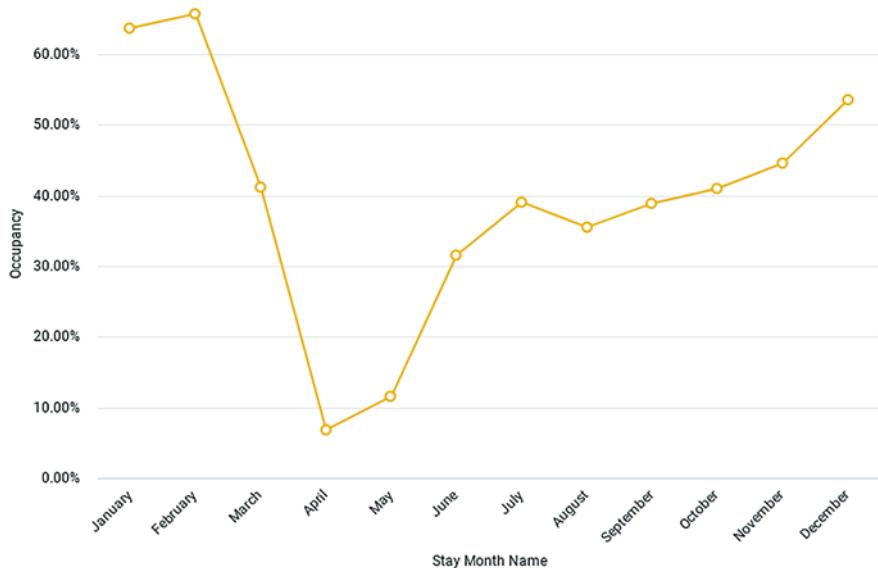
Brett wondered if persisting with ongoing RM training for the teams would yield results or whether it was time to look at what RM technology existed in other international markets. Brett's plan was to hire one central revenue and distribution manager and engage with an automated RMS to automatically adjust room rates. Brett's plan would involve removing the capability for all hotels to adjust room rates, since that would be managed centrally.

Brett kept thinking: would a new RMS be making appropriate adjustments to find the optimal rate and occupancy, or would the system drive rate too high and have a negative impact on occupancy and RevPAR? Would one revenue manager cope with one system and over 100 hotels? How many manual adjustments would the team still be required to make? This was going to be one giant leap of faith.

## ***Impact of COVID-19 on ALH Hotels***

As governments tightened restrictions on travel due to COVID-19, Brett started to see the decline of international bookings at leisure locations that depended on inbound group business from key feeder markets, like China. For instance, in December 2019, AHL Hotels' property, the Mermaid Waters Gold Coast, which would usually have more than 30% of total bookings coming from international groups, now had to rely purely on domestic markets. The imposition of lockdowns by state governments in early 2020 led to a plunge in domestic travel with a ripple effect on declining occupancies (Fig. 9.4).

The decline in room bookings and restrictions on hospitality food and beverage venues necessitated the closure of most of the portfolio: 340 ALH pubs closed after March 2020. A small number of suburban locations managed to service the demand from essential services, and the proximity to hospitals and large projects allowed ALH Hotels to maintain an average occupancy around 30% at a small number of sites, keeping the teams active and employed.



**Fig. 9.4** ALH Hotels 2020 occupancy. (ALH Hotels, 2022)

All ALH hotels closed except for one in Devonport (Tasmania), which successfully managed quarantine for 9 months. Many of the big brands and city hotels were also targeting government departments who were handling quarantine business to drive cash flow and stay afloat during the pandemic. Unfortunately, some international hotel brands, such as in Melbourne, experienced a lot of negative exposure to their brand due to hotel quarantine disasters. Brett often wondered how this would affect their reputation when they reopened.

The international market segment did not drive any revenue in 2021 due to international border closures. Some states such as Western Australia and Queensland reopened with minimal intrastate travel. The corporate segment started to pick up midweek, and weekends traded very high in occupancy levels across Friday and Saturday nights. The domestic leisure segment was reliant on intrastate visitation due to interstate borders opening and shutting regularly, which negatively impacted Victoria and New South Wales. The traditional business mix was thus upended.

### ***Finding the Right RM Solution***

Even as the pandemic started, Brett was already looking at implementing automation in RM to drive improvements in effectiveness and efficiency, through a centralised approach across all the properties. As the portfolio continued to grow, there was a need to scale RM decisions, using advanced technology and automating pricing. The disruption to business from the pandemic served as a catalyst to innovate, and

Brett continued planning to execute a strategic shift in the approach to pricing and RM.

It was a whole new world, and COVID-19 allowed ALH Hotels to take the time to review its business operations and implement new ways of working. To spend the time future-proofing the new world once reopening, Brett would ask himself how to change their traditional operating model to a COVID-19-safe environment. What were best industry practices and how to take the operations to a new level? Brett's strategic planning through the pandemic drove three key initiatives to manage revenue at ALH Hotels into the future:

1. To centralise revenue management activities
2. To utilise RM technology and automate rates
3. To transform current revenue management practices

This was when Brett hired Murtaza as a consultant to help him bring his ideas to life. Murtaza joined as a revenue strategist, with a work history focused on helping the accommodation industry embrace innovation in pricing and analytics automation, e-commerce, distribution, and change management. Murtaza was tasked with refining the business requirements and facilitating the process to select and implement an RM solution. This process included a comprehensive competitive analysis of a range of vendors.

## **Business Requirements**

First, Murtaza had to review the business requirements. One of Brett's key conditions was flexibility. Many hotel groups would tend to go to the market and take a standard solution off the shelf which can restrict a business' capacity to expand and evolve. Brett also needed the potential RM solution to be fully automated and to be able to price 365-day ahead for every size of accommodation site (from 10 to 106 rooms), with prices being automatically updated hourly. This meant that the technology to be implemented needed to have a two-way integration with the property management system (PMS), to allow all reservation data to be ingested and analysed, and then for decisions to be pushed to all distribution channels. For Murtaza, the easiest approach was to select an RM solution that could integrate with the current PMS as a cloud-based add-on. Fortunately, ALH Hotels' PMS had the capability to allow for such an integration in a timely and cost-effective manner, which mitigated the need to consider expensive PMS changes or upgrades.

Furthermore, with ALH Hotels' accommodation sites scattered across the country, including regional and remote areas, as well as unique characteristics lacking direct competitors, Murtaza thought it essential that the RM solution could price dynamically at a micro-targeted level without relying on competitors' pricing and without manual interventions or overrides (managed by exception). Murtaza found few solutions in the market that were able to execute near real-time pricing recommendations and found only one key vendor in Europe that functioned effectively with reliance on forward looking primary data (reservations data).

Murtaza also knew that traditionally, RM solutions create pricing using historical patterns and competitors' prices, along with any requirements needed by the user (e.g. manipulating demand overrides, running ad hoc optimisations, manipulating forecasts, extracting and creating data visualisations etc.). Typically, traditional RM solutions were also very expensive to adopt (onerous set-up and ongoing fees with multi-year agreements), had a lengthy and complex implementation timeline, and needed a "learning" period and heavier investment in time and resources.

Brett needed to ensure an appropriate return on investment by individual hotels on a national scale. Many RM solutions do not consider the large number of sites and the lower average number of rooms per hotel (22 on average for ALH Hotels). Besides seeking a cost-effective solution suiting the ALH Hotels' model, Brett and Murtaza also included as key selection criteria the ease of use, having no downtimes for upgrades and system maintenance, the speed of implementation, and the ability to drive results off a "cold start" (i.e. when historical data was insufficient or not relevant, especially in times of demand disruption like COVID-19).

Lastly, Brett required from the RM solution to provide personalisable reports. Given the range of accommodation sites, Brett needed to create reports by hotel, by state, or to provide a national view. Brett also needed automatically scheduled reports to be sent to users or external email addresses. Finally, Brett needed to be able to obtain reports on pickup and forward booking metrics compared to the same time last year (STLY), reports on pricing adjustments over time, reports on segmentation and channel mix, and trend reports across multi-properties performance, market, and STLY.

Table 9.1 summarises the high-level business requirements Brett and Murtaza developed, split between three categories: business requirements, pricing requirements, and solution requirements.

## Benefits to Automation

For Murtaza, automation of RM decision-making came with clear benefits. Since extracting and manipulating data from a PMS to create actionable recommendations require time and effort, this can translate into delayed and limited decision-making that then reflects on productivity and potentially loss of opportunity. Murtaza knew that a fully automated solution, which allows for customised and fully automated data visualisation in real time, is also key to the success of a centralised approach. In turn, this means that the revenue manager and other stakeholders (operations, sales and marketing, etc.) can spend more time on strategic decision-making, planning, and driving or tracking demand generation initiatives. With automation, these can be based on real-time forecasting of demand patterns by hour, day, week, month, or a year ahead.

Murtaza also believed that the overarching benefit of effective automation and improved organisational capability was directly connected to stronger results and a competitive advantage. According to Murtaza, improvements in RM technology in recent years have made it even easier for the industry to adopt the best solution for

**Table 9.1** ALH Hotels business requirements for an RM solution

High-level business requirements		
Business requirement	Pricing requirement	Solution requirement
Ease of set-up, ease of implementation, and ease of use	Optimise pricing 365 days in advance	Dedicated account manager
Ability to provide real-time reporting and forecasting, including personalisable reports	Implement floor and ceiling rate strategies customisable to any date range	Local support and request actioned or acknowledged within 24 h
Fully automated system without manual input	Ability to switch to “autopilot” updates of room rates at least on hourly basis 24/7 or manually freeze rates	Appropriate training support and material
System learning time and using a minimum of 2 years PMS history from implementation date	Group pricing displacement and recommendations	User activity log
Future road map and enhancements, including recommendation on restrictions (e.g. length-of-stay restrictions)	Ability to set parameters and controls to configure pricing	Security and compliance
Cost	Scaled by room number, due to diversity of accommodation sites’ room numbers (from 10 to 106 rooms)	To be cost-effective for our range of room numbers and provide ROI for all styles of accommodation

unique needs and operating models, where any unit of space can be dynamically priced, managed, and distributed. Automation is now resulting in improved productivity by eliminating manual or semi-automated processes and allowing for a greater focus on strategy and customer experience. As hotel operators take more control of pricing and distribution, customising technology (PMS, RMS, pricing, analytics, CRM, etc.) and empowering and training people remain critical to success.

From experience, Murtaza knew that in businesses with a strong pricing and analytics mechanism in place, marketing budgets would be better spent and redirected in a timely manner, while clean and accurate data could be used more effectively to drive customer service and reputation. In turn, this meant that everyone across the business would be more aligned to the key performance metrics defining success for the organisation, including improved data literacy and RM culture. On the other hand, Murtaza had come across organisations lagging in innovation, whose RM tactics focused mostly on destructive price wars and cookie-cutter discounting tactics, aggressively driven by online travel agents. These businesses, in Murtaza’s eyes, would often frustrate owners, as they would struggle to sustain pricing growth and profitability even during periods of sustained high demand. Murtaza knew that, today, owners and investors were even more involved in ensuring their brand partners or investments were able to deliver superior results, even in volatile times like the COVID-19 pandemic.



Fig. 9.5 Pace Revenue logo. (Courtesy of Pace Revenue)

### The Solution: Pace Revenue

Murtaza contacted several RM solution vendors and asked them to submit a request for proposal (RFP). The RFP would need to address every requirement along with a demonstration to Brett and Murtaza, proven case studies and references, and a product pipeline to demonstrate investment in innovation. Going through the RFPs, Brett and Murtaza evaluated each vendor and frequently found of concern the frequency of pricing update (not hourly as requested) and the fact that most systems felt like they were built for complex five-star hotels that required teams to constantly manage.

Ultimately, Pace Revenue (Fig. 9.5) was selected as the preferred revenue strategy solution, as it met the key requirements and had the willingness to be development partners. Pace Revenue offered a more cost-effective cloud-native solution, with a high-quality PMS integration. It also had a proven ability in delivering strong results using near real-time pricing automation relying on forward-looking primary data (reservation data). It was easy and simple to use and could be adapted to any size of inventory. Finally, Pace Revenue also had the ability to perform from a “cold start”.

The implementation of Pace Revenue was a substantial project but was completed within 2 months across more than 100 locations. While COVID-19 decimated travel, it also generated a surge in domestic travel for which ALH Hotels was primed to capitalise on, considering its range and location of properties. It also became an ideal time to invest in business transformation to not only capitalise on the volatile market conditions but be prepared to respond with agility and speed to disruptions in travel.

After implementing Pace Revenue and removing all manual RM decision-making from the hotels, Brett hired a central revenue manager to implement Pace Revenue and constantly review each of the hotels’ rate guidelines, through seasonality and Pace Revenue reporting for the entire portfolio. The central revenue manager was also responsible for setting minimum and maximum rates for each hotel and its room types. They would review Pace Revenue forecasting and pickup reports to make necessary adjustments. They would respond to event announcements for hotels that would also have an impact on demand.

### *Successful Results Throughout the Year*

Implementing Pace Revenue had significant and fast impacts on the RM decision-making at ALH Hotels. First, and as required, Pace Revenue allowed for hourly updates to rates and drastically increased the number of updates for all properties

**Fig. 9.6** Amount of rate changes adjusted on Wed, 15 December 2021. (ALH Hotels, 2022)

Price Updates
Optimal changes yesterday
4720
99% of 4744

**Fig. 9.7** Amount of rate changes adjusted on Thu, 3 March 2022. (ALH Hotels, 2022)

Price Updates
Optimal changes yesterday
8321
92% of 9064

through time (Figs. 9.6 and 9.7). When, before the implementation, there were only a handful of price changes for each hotel, now there are thousands. This allowed ALH Hotels to compete much strongly in all markets.

Secondly, as the automation of Pace Revenue was taking the business to the next level, it allowed the management and onsite teams to spend more time on the front line, meeting and greeting guests and hotel patrons. This was one of the benefits identified by Murtaza, which ended up being a reality for all properties. Moreover, as the industry was experiencing large amounts of cancellations and often last-minute pickup, ALH Hotels were comfortable knowing that their rates automatically fluctuate on an hourly basis, 365 days in advance, regardless of whether the central revenue manager or the hotel managers were away from the business.

Since reopening in various states, ALH Hotels have seen some exceptional results in key destinations, with some hotels experiencing more than a 35% growth in RevPAR. Below is the example of the Nightcap at Ship Inn Busselton (Western Australia). The team there would frequently adjust rates during the manual RM processes; however, Pace Revenue pushed the boundaries much further than the team would have prior to its implementation. While a centralised revenue manager would adjust the minimum rates, the Pace Revenue algorithm takes this further: understanding the hotels' pickup, history, and hourly adjustments to maximise RevPAR and profit.

### Success Story: Nightcap at the Ship Inn Busselton, WA

The Nightcap at the Ship Inn (Fig. 9.8) has 14 1-bedroom apartments onsite, located in Busselton (WA). The Ship Inn dates back from the 1840s and is one of the oldest pubs in town and is quite close to the Margaret River wine region. Below is a summary of key performance indicators (KPI), comparing the months of January 2020 and January 2021 (Table 9.2). All KPIs show tremendous growth year on year, illustrating the results of using Pace Revenue and automating pricing for this property.



**Fig. 9.8** Nightcap at the Ship Inn. (ALH Hotels, 2022)

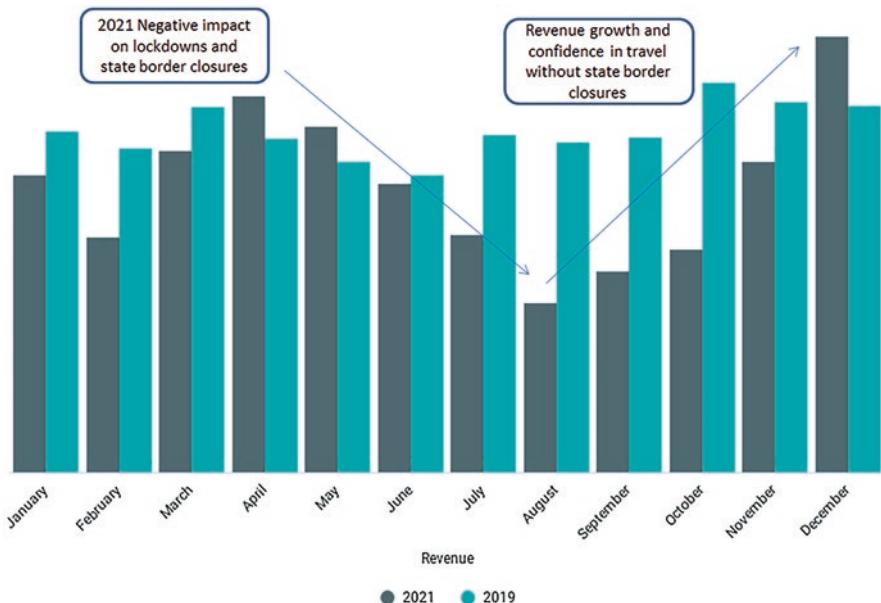
**Table 9.2** Nightcap at the Ship Inn Busselton results comparison between Jan 2020 and Jan 2021

	Jan 2020	Jan 2021	Difference	Variance
ADR	\$155.33	\$218.80	+\$63.47	+0.86%
Occ %	90.60%	97.20%	+6.6%	+7.28%
RevPAR	\$140.73	\$212.67	+\$71.94	+51.12%
Sales	\$57,834	\$76,854	+\$18,750	+32.42%

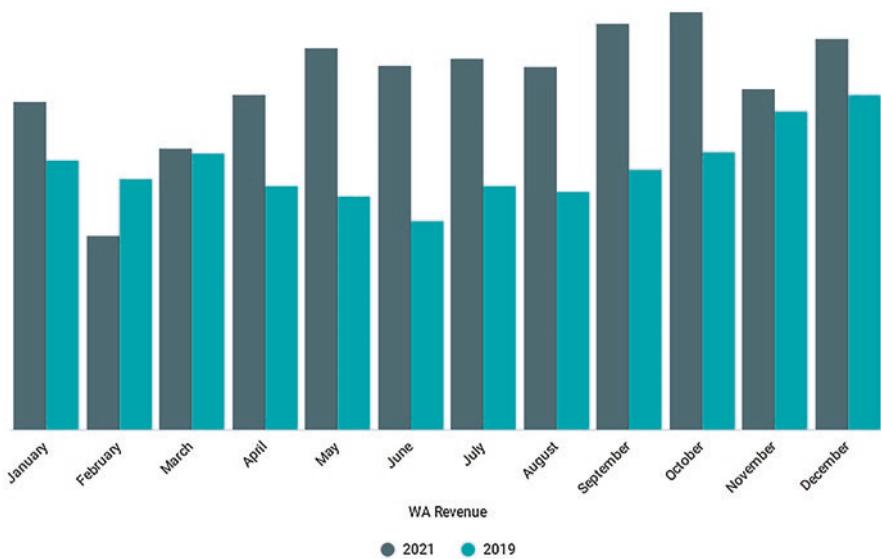
### ***Reopening States and Markets: Looking Towards the Future***

A key challenge that remained for Brett and Murtaza was the instability of state borders and the uncertainty of demand as markets reopened. Using Pace Revenue, they would forecast using real-time reservation data, but that would only benefit them so far. When reviewing competitor hotels' rates and market data during lockdowns, some hotels had attracted government essential work, as they could maintain high rates through lockdowns. Other competitors would only have single-digit occupancy around locations such as Melbourne and Sydney airports and corporate hubs such as Macquarie Park or Southbank. Brett and Murtaza could also see large hotel brands advertising rates from \$85 online.

Lockdowns and state border closures impacted negatively the overall revenue, with declines in 2020 and 2021. This period proved very difficult to price with large amounts of cancellations and declining demand (Fig. 9.9). New reservations were booked with a much very short lead time to avoid late cancellations. From August 2021 the domestic market showed a renewed confidence in travelling without snap lockdowns, which helped drive accommodation revenue growth.



**Fig. 9.9** 2019 vs 2021 Australia-wide revenue comparison. (ALH Hotels, 2022)



**Fig. 9.10** 2019 vs 2021 Western Australia-wide revenue comparison. (ALH Hotels, 2022)

Other markets, like Western Australia (WA), experienced fewer lockdowns during February, April, and June 2021 which softened travel through this period. WA travel and accommodation demand performed extremely well (Fig. 9.10) and allowed Pace automation to grow revenue well above pre-COVID levels.

In 2021, the international market was still non-existent, which usually represented more than 25% of the Australian accommodation market, with the vast majority attracted to Central Business District (CBD) locations. There was also very little mid-week corporate business around. Upon reopening, it was clear to Brett and Murtaza that there were three tiers of demand: *city*, which was extremely soft; *metro*, which was reliant on local trades, hospitals, etc.; and *regional*, which was strong, particularly in coastal destinations within a 3-hour drive from a capital city.

Brett and Murtaza saw demand continuing to be very destination focused no matter the standard or type of accommodation across pubs, cabins, motel, or five-star hotels in coastal drive locations (e.g. Nowra, Central Coast, Busselton, Geraldton, Sunshine Coast, etc.). There was substantial pent-up demand that would fill the accommodation sites at substantially higher rates than ever experienced prior to COVID-19. Such was the case for the Nightcap at the Ship Inn Busselton.

For Brett and Murtaza, Cairns was another market heavily reliant on flights where guests could get a four-star room from \$80. Therefore, they decided not to play the rate game. Instead, it was a case of effectively communicating to loyal guests and providing a discounted rate where applicable. However, Cairns remained slow due to reliance on flights that had been heavily reduced.

## Discussion and Questions

As 2022 starts and the pandemic continues, Brett and his team reviewed the decisions made in the past 2 years and the implementation of new technology to automate revenue management (RM) decisions and pricing. Using Pace Revenue as their new tool, ALH Hotels and the Nightcap Hotel sites have managed to increase revenues and occupancies at many properties. Referring to the case study and your own research, answer the following questions.

1. The current biggest challenge Brett and his team are facing remains the unpredictability of borders opening and closing. Though since February 2022, the Australian international borders are open, there is still uncertainty for the state of the Australian tourism and travel industry. Reflect on the chronology and examples provided since 2019, and discuss the steps taken by Brett and the team to try to navigate the pandemic.
2. Brett and Murtaza chose to automate pricing and revenue decision-making. Discuss the benefits and drawbacks of automating revenue management decisions, taking into account the business model of Nightcap and ALH Hotels. Then evaluate the choice of Pace Revenue as ALH Hotels' new revenue management tool.
3. Focusing on the business requirements developed earlier, research other revenue management systems that could have met these business requirements. Defend your preferred choice, describing its benefits and how they match the stated requirements.

4. Examine the different factors that must be considered when choosing a revenue management strategy (i.e. manual and automated RM).

## Conclusion

This case study provides the story of the ALH Hotels and their Nightcap brand and Brett's and Murtaza's work in navigating the COVID-19 pandemic while implementing an automated revenue management (RM) system. Pre-COVID, Brett and his team created manual RM tactics and training and, with the help of Murtaza, decided to use the pandemic as a catalyst for the automation of pricing decision-making. 2021 showed overall positive results from this implementation in the group, with increases recorded in revenues, occupancy, ADR, and RevPAR for many properties. This case study can help students to show the benefits of automation in RM decision-making while trying to survive during a pandemic.

## Teaching Note

### *Case Summary*

This case study follows the story of Brett, National Accommodation Manager for ALH Hotels and the Nightcap brand, and his approach to creating a revenue management (RM) strategy for the group. With the help of a consultant, Murtaza, they proceeded to select an automated RM tool for the business, called Pace Revenue. This case study was co-written with Brett and Murtaza, providing real-life examples and factual data of the past 2 years of the company. Moreover, this case study was written in a narrative way to allow students an insight into the decision-making and thought process of Brett and Murtaza.

### *Teaching and Learning Objectives*

This case study aims for students to:

1. *Reflect on the implementation of a revenue management strategy during a pandemic.*
2. *Discuss and evaluate the automation of revenue management decision-making.*
3. *Research and appraise different revenue management tools, based on specific business requirements.*

The action verbs of the teaching objectives reflect a higher degree of learning, which is in line with the target audience, as developed below. The teaching

objectives are focused on strategic RM, with an emphasis on automation and technology. This goes beyond the usual tactical approach to RM, focusing on demand forecasting or inventory management (Yeoman, 2016).

## ***Target Audience***

This case study is aimed for both undergraduate and postgraduate students. Revenue management is often found in both levels of studies in a hospitality degree. That said, this case study does focus on a more strategic approach to revenue management and the automation of decision-making, which undergraduate RM studies do not always include. Postgraduate RM studies do tend to have a strategic perspective embedded, which may contain a section on automation and RM technologies. Based on the learning objectives, this case study would fit undergraduate students in their final year or postgraduate students towards the middle of their degree.

## ***Teaching Approach and Strategy***

This case study can be provided to students as either class work or assessment, for either individual or groups of students. The case study can be delivered prior, during, or after class delivery, and a suggested lesson plan can be found below, highlighting what concepts must be delivered before the introduction of the case study to the students:

Case study introduction	Main theory/concept to be delivered beforehand
Prior to class delivery	RM foundations (demand forecasting, pricing and inventory management, distribution management) RM KPI (occupancy, ADR, RevPAR, indexes) and internal/competitive analyses Automated revenue management systems (Mahesh, 2015)
During class delivery	As above plus price optimisation (Vives et al., 2018)
After class delivery	As above plus technology and RM (Alrawadieh et al., 2021)

## ***Theoretical Perspectives to Guide Students' Discussion***

This case study brings forward practical and factual elements of a real-life company and its approach to selecting an RM technology and automating decision-making. There is a clear focus on strategic pricing and the use of an RM tool to obtain

real-time pricing decision-making. This and the steps taken by Brett and his team through the implementation of RM decision-making (manual at first and automated later) are also developed by Vives et al. (2018), who show a correlation between the adoption of technology, the real-time availability of data, pricing optimisation, and RM.

This correlation between technology and RM is further discussed by Alrawadieh et al. (2021), who review the impact of technology and big data on pricing strategies and RM results. Alrawadieh et al. further discuss how the adoption of technology and the use of different tools, such as price optimisers, rate shoppers, or reputation maximisation software, can complement automated RM systems and their results. This is the case with ALH Hotels and the implementation of Pace Revenue as an RM system and their results through the pandemic.

### ***Individual or Group Work: In Class Discussion***

This case study can be used either for individual or group work, as an in-class discussion. In either case, students would first work on their own or in a group focusing on the questions developed in the “Discussion and Questions” section. Then students would regroup to share answers and create a discussion. The activity should take overall 1–1.5 h, including reading the case study, further research, responding to the questions, and the discussion. If working in groups, a team leader could present the group findings to the class, to limit dispersion and background noise.

### ***Assessment: Business Report or Group Presentation***

This case study can also be used as an assessment, though it is advised to do so only as a group work. Lecturers can ask students to provide a business report, a group presentation, or both. The assessment can be based on the questions developed in the “Discussion and Questions” section, though lecturers can modify them slightly to allow the assessment to focus on most revenue management topics.

### ***Additional Reading and Reference***

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## Additional Reading Material

- About Nightcap Hotels: Clarke, M. (2021, November 10). A warm welcome to more Nightcap Hotels. *Accom News*. <https://www.accomnews.com.au/2021/11/a-warm-welcome-to-more-nightcap-hotels/>

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**Brett Salter** is the Head of Accommodation for ALH Hotels who own and operate more than 350 Hotels and Pubs across Australia. Brett's depth and experience within the accommodation industry is widespread from running motels at an early age to more recently introducing international brands into Australia and the creation and execution of the Nightcap Hotels brand in 2017, expanding to more than 70 locations within the first 4 years. Brett has opened more than 20 new hotel accommodation projects and managed more than 80 accommodation renovations and is a believer that our industry must continue to evolve and embrace new technology to improve guest satisfaction and provide greater efficiencies to hotel owner and operators. Brett is also a passionate board member of the Accommodation Association of Australia Victoria advisory board.

**Murtaza Rangwala** has served the lodging industry in a myriad of roles over 30 years, most recently as owner of his consultancy, RevUplift. He has collaborated with and worked for some of the leading RM solution providers and other tech vendors and e-commerce platforms to drive improved business outcomes across every accommodation model. Murtaza is currently a member of the Franchise Performance Management team at Choice Hotels Asia Pacific.

# Chapter 10

## Closing the Service Innovation Gap in Hospitality Management: The Case of a Fast-Food Chain in Switzerland



Thorsten Merkle Dominik Knaus, and Chantal Siegrist

### Introduction

At the very early onset of the COVID-19 pandemic, Steven Smith,<sup>1</sup> CEO of Retail Restaurants, soon realised that the fast-food restaurant business is going to experience massive change. He attributed this transformation to current food service mega-trends such as increased flexibility, personalisation, digitalisation, healthy eating and sustainability (Papasabbas & Pfuderer, 2021). However, he also realised that change was accelerated due to the ongoing COVID-19 pandemic. Customers' perception of fast-food offerings as well as their behaviour was (yet again) at the onset of change. Steven Smith was convinced that, in the medium and long term, consumer behaviour would be affected by that change and that his restaurant chain would have to adapt quickly in order to keep a competitive advantage and to remain successful.

Retail Restaurants is an operator of fast-food restaurants in Switzerland. Overall, the company runs approximately 250 restaurants in all parts of the country, rural and urban areas alike. All restaurants are based within supermarkets and shopping malls of various sizes. The restaurants are operated by Retail Restaurants, a division of Retail Group who is the operator of the shopping malls and supermarkets. The

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<sup>1</sup>All names and places have been anonymised for the context of this case study. Although the case is based on real-life events, the authors had to remove all connections to the company and person names in order to comply with confidentiality requirements.

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Retail Group is well known throughout Switzerland (and beyond its borders), and customers' brand loyalty was typically quite high. Overall, the Retail Group employs some 25,000 employees, thereof roughly 5000 in the Retail Restaurants division. Typically, new products and services are developed at the headquarters and then rolled out through the organisation.

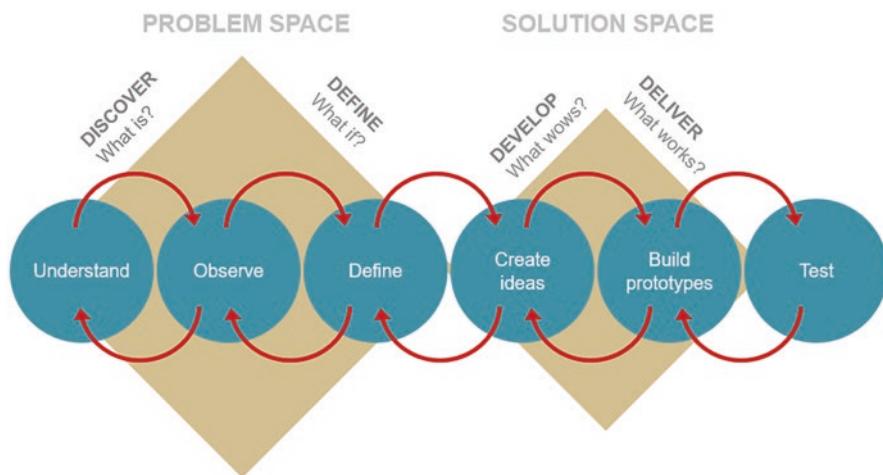
With competition continuing to be strong and with consumer behaviours changing rapidly during the COVID-19 pandemic, management however became increasingly worried about customers moving away from existing offers and turning towards both direct and indirect competitors. Whilst direct competitors refer to other fast-food restaurants offering similar services, the concept of indirect competition is not as easily understood. Indirect competitors are other products or services that solve the underlying problem that led to the customer considering the provider's offer in the first place. In the context of a fast-food restaurant, an indirect competitor could be a petrol station that also sells snacks besides its main business of providing fuel for cars. During a board meeting in 2020, Steven Smith made it clear to his senior management team that something had to change. And this time, the approach had to be different as well. Whilst the food and beverage products were not to be changed, the service level as well as customer interactions was to be looked at. The goals were to increase customer satisfaction and to keep customers' brand loyalty high. A project team consisting of internal and external experts in service innovation was constituted and a test branch identified.

## The Service Innovation Gap

In times of increasing pressure on profits, service innovation becomes more and more important (Osterrieder & Friedli, 2021). Even though service innovation often starts with having good ideas, it does not end there. Many organisations are finding it increasingly difficult to turn novel ideas into marketable and scalable innovations (Knaus & Merkle, 2020). The ability to create innovative ideas combined with the organisational inability to turn them into viable products, processes or services has been coined as Service Innovation Gap (Merkle et al., 2022). Reasons for the existence of the Service Innovation Gap include factors such as lacking knowledge of innovation methodologies (Ottenbacher et al., 2006), lacking professionalism in certain industries (Pikkemaat, 2008) as well as an inability of employees to share innovative ideas with their supervisors (Prantl et al., 2009).

Service Design has been identified as an approach to address and close the Service Innovation Gap. Whilst a number of definitions has been discussed for Service Design, it can be considered as a mean to create services that are useful, usable and desirable from a user's perspective and efficient, effective and different from a provider's perspective. It is a strategic approach that helps providers to develop a clear strategic positioning of their service offering (Gouthier, 2017). Service Design thus is both a toolbox and a mindset that allows for the creation, testing and scaling of new services. In guiding users find the right tools for the

specific situation and apply them correctly, the double diamond model has been proven helpful. Its developer, the Design Council, even encourages users to alter or modify the process used according to their own purposes and needs (Gustafsson, 2019). Following a generic double diamond model that clearly delineates a problem and a solution space, an iterative and customer-centric process is applied. In the context of increased competition, developing and improving services with the customers' or service users' perspective in mind are becoming more and more important. This is also referred to as customer centricity (Wechsler & Schweitzer, 2019). In the context of Service Design, it is important to first thoroughly analyse the situation in the problem space before finding and testing possible solutions in the so-called solution space (Knaus & Merkle, 2020). For each of the phases in the double diamond process, there are then different tools that can help achieve the current outcome. Although there are other process-based models guiding managers through innovation projects, the double diamond framework was chosen in this particular setting since it clearly focuses on the customers' or service users' perspective, and it is flexible in its application. It is also worth noting that sometimes only parts of the double diamond are used, depending on context. Fig. 10.1 shows the double diamond framework used in the context of the given case. It is based on works of Lewrick et al. (2018) as well as of Knaus and Merkle (2020) and has been the basis for Service Design projects at the University of Applied Sciences of the Grisons throughout.



**Fig. 10.1** Double diamond model based on Lewrick et al. (2018) and Knaus and Merkle (2020)

## The Project

Following the spirit of service innovation and design, the team at Retail Restaurants sought the cooperation with specialists from the University of Applied Sciences of the Grisons specialising in this field. The project objectives were clarified, the scope was agreed upon, and timelines were defined. Unlike usually at Retail Group, and following the Service Design philosophy, the project team ensured to include consumers from the very beginning throughout all stages of the project. The project was divided into three phases. After each phase, the project team held a status meeting with senior management where interim results were discussed and whereafter the decision to continue or to discontinue the project was jointly taken. As such, the project set-up also included aspects of the stage-gate process that had been widely applied in more classical innovation management approaches (van der Duin & Ortt, 2020). The more classical approach of the stage-gate process divides a development project into several individual stages, divided by so-called gates. The division into the individual stages is carried out factually, so that an innovation is first analysed at the beginning with regard to its technical and commercial quality before it is handed over to development and subsequent market launch (Cooper, 2015). Although the Service Design methodology follows a different philosophy (e.g. by prototyping and testing early in the process), the idea of having gates where go/no-go decisions can be taken by senior management has proven to be useful. Figure 10.2 (authors' own illustration) illustrates the project phases and how they are connected to the different stages of the double diamond process.

### Phase 1

At the beginning of the process, the project team found themselves completely and deeply rooted in the problem space. At this point, a sample of existing restaurant customers was drawn for a quantitative customer satisfaction survey. In order to maximise variation within the sample selected (this is also called an extreme case sampling approach (Merkle et al., 2022; Saunders, 2012)), research assistants approached customers of six very different existing restaurants on site, and participation in an on-site oral survey was solicited. In addition to the on-site survey, an online survey was conducted. The invitation to participate in the online survey was mailed out using Retail Group's weekly newsletter. Overall, the team managed to collect more than 1000 complete responses for subsequent data analysis.

Using statistical methods, the relatively large set of variables describing consumer attributes could be reduced to a smaller set of components, making the data easier to interpret (Pallant, 2013). Thereafter, a so-called cluster analysis was employed in order to derive meaningful customer typologies (Mussalam & Tajeddini, 2016; Pallant, 2013). Customer typologies, also referred to as "personae" in Service Design, are stereotypical representations of typical customer segments. In contrast to classical market segmentation techniques, personas are elaborated in detail with the objective of getting to know and even developing empathy for them (Schmidt, 2019). The quantitative analyses then derived the development of seven



**Fig. 10.2** Project phases. (Authors' own illustration)

different customer personae that each described one stereotypical customer segment and could be used during subsequent steps of the Service Design process.

Once the personae were defined, the next step for the team was to identify the “thematic fields” to concentrate on. The thematic fields were those areas in the current restaurant service provision that needed most improvement from the customers’ perspective. It was important for the team to once again include Retail Group’s senior management at this point in the process. Once identified, the thematic fields then were the basis for the identification of the problems to be solved (also referred to as topics of action). The topic of action (the “problem” so to say) determined was “How might we increase sales impulses with our regular and loyal customers so that customer satisfaction increases and subsequently customer loyalty is strengthened”.

Conceptually, the positive relationship between customer satisfaction and customer loyalty has been widely accepted (Solomon et al., 2017). The project team soon realised that customer satisfaction was the aspect they needed to focus on.

The last activity in phase 1 then was structured observations of and discussions with customers and employees alike. Using the personae as well as a blueprint of the customer journey as a basis, employee and consumer behaviours were studied on site in the selected outlets, and pain points were identified (Schmidt, 2019). The team employed a customer journey map as a tool to help highlight those aspects where the customer experience reaches high or low points and to integrate customers' needs, activities, touchpoints as well as gains and pains (Sierra-Pérez et al., 2021). As such, a customer journey map is a valuable tool that allows communicating findings (and proposed measures) to a number of stakeholders including senior management.

## Phase 2

In phase 2, the team conducted design workshops with customers and frontline employees. These were held at a specific "creative space". A "creative space" in this context can be understood as a synonym for an innovation laboratory. This is an environment that allows the use of multimedia technology and provides tools for rapid prototyping, another method widely used in Service Design. Based on the personae that had been defined during phase 1, so-called "how might we" questions were developed for each persona. "How might we" questions are used as the basis for the creative ideation processes in Service Design, and they are usually based on the pain points that are discovered using the customer journey. The definition of meaningful "how might we questions" was done with the help of creativity methods, triggering questions and laddering techniques.

In the next step, during the same workshop, an explicit move from the problem space into the solution space was conducted. Now that the problems had been identified and the participants fully understood them, solutions were developed. Participants discussed, rated and then reduced the number of solutions. This means that out of all those ideas developed, a small number were rapid prototyped, tested and (following thorough discussion between participants) described in more detail.

Again, at the end of phase 2, the project team held a meeting with Retail Food senior management to discuss the status of the project and to select the idea(s) worth for further developing.

## Phase 3

In phase 3, testable prototypes for the selected ideas had to be developed. Those prototypes then were tested in the field. Out of the ideas selected, two dealt with visual communication and directional signage within the restaurant environment, and one dealt with staff-customer interaction on site. Once the testable prototypes (also known as minimum viable product) had been completed, they were tested in one selected outlet. It needs to be noted that the staff members working at that outlet were not represented in the early stages of the project. The project team again measured customer satisfaction quantitatively with the help of survey questionnaires as well as observations and in situ interviews. Overall, customer satisfaction levels

after the intervention (use of the prototypes) had increased in that restaurant when compared with levels before the intervention.

The directional signage and visual communication prototypes were well received mainly by irregular and new customers. Regular visitors did not perceive so much benefit since they knew the restaurants quite well already. The team could also measure that the conscious perception of the directional signage prototypes declined over time—a sign of customers getting used to the new signage concept.

The prototype addressing change in staff-customer interaction on site was probably the most interesting one. Customers appreciated increased interaction with frontline personnel and perceived this to be a positive development in the way frontline staff approached customers.

During the test phase, it became already evident that certain changes had to be made to the prototypes in order to improve their effectiveness and their scalability for use in all of the chain's restaurants.

## Results

Overall, Steven Smith and his senior management team were very happy with the results achieved. Using Service Design methodologies for the development of the new tools and services allowed to identify promising new services very early in the development process. Furthermore, since customers had been included throughout the process, no lengthy test phase was needed (as it is the case in classical innovation management approaches) before scaling and implementing the solutions chain-wide. From a service development as well as a customer satisfaction perspective, the project can thus be classified as successful.

From an employee relations perspective, however, Retail Group had to learn an unexpected lesson. As had been noted above, frontline employees at the restaurant that was selected for the test in phase 3 were not present in the early stages of the project. Even though their managers had transparently communicated project objectives and scope, frontline employees felt left out and had difficulty developing ownership of the prototypes—especially the one addressing staff-customer interaction.

## Conclusions

During the project, it could be demonstrated that Service Design methodologies can successfully be applied in closing the Service Innovation Gap. Using customer-centric approaches and rapid prototyping allowed for a fast and successful development of new services.

The double diamond model that clearly differentiates between a problem space and a solution space is a helpful tool when employing Service Design. It allows participants to concentrate on and to fully understand the problem (or the challenge)

before getting creative in developing and testing solutions. Dividing the project into phases helps keep that focus and also gives senior management the possibility to remain informed and to keep control throughout.

The restaurant industry continues to be a peoples' business and relies on interactions between employees and customers (Davis et al., 2018). As service innovation in this context almost always includes a human component (amongst possible others), aspects of change management need to be considered. This is one lesson that Retail Group had to learn in the course of the project.

At time of writing this case study, Retail Group has yet to decide to what extend the newly developed services will be implemented across all its restaurants. Given the fact that consumer behaviour is changing rapidly and that such change has been catalysed by the COVID-19 pandemic, Retail Group has understood the requirement to continuously improve existing and develop new services.

## Case Study Questions

1. As opposed to classical innovation management approaches, Service Design follows the philosophy of rapid prototyping and failing early. Using a services industry example of your choice, conduct own (desk) research in order to contextualise. Following your own (desk) research, evaluate why Service Design follows this philosophy. Elaborate benefits and disadvantages of this approach in comparison with classical innovation management approaches.
2. What challenges do you think can arise in larger organisations when applying the Service Design method? What are the advantages and disadvantages of the method? Concentrate on specific aspects (e.g. the development of a minimal viable product based on ideas) when elaborating your response.
3. When the prototypes were tested at one restaurant, the staff on site initially were opposing the changes in their daily work. Based on conducting your own (desk) research, elaborate possible reasons for this resistance. Can you identify relevant theoretical concepts in the literature helping explain how could Retail Group have prevented such resistance?
4. Prantl et al. (2009) have identified an inability of employees to share innovative ideas with their supervisors as one of the reasons for the existence of the Service Innovation Gap. Using this case or own examples as context, present examples why food service frontline employees might be unable to share their innovative ideas with their supervisors and discuss how organisations could improve the situation.

## Additional Reading

The following literature suggestions may be helpful to students wishing to deepen their knowledge about customer-centric service innovation methods:

- Lewrick, M. (2018). *Design thinking: Radikale Innovationen in einer digitalisierten Welt*. CH Beck.
- Lewrick, M., Link, P., & Leifer, L. (Eds.) (2018). *Das design thinking playbook: mit traditionellen, aktuellen und zukünftigen Erfolgsfaktoren*. Vahlen.
- Stickdorn, M., Hormess, M. E., Lawrence, A., & Schneider, J. (2018). *This is service design doing: Applying service design thinking in the real world*. O'Reilly Media, Inc.
- Wetter Edman, K. (2011). *Service design-a conceptualization of an emerging practice*.

## Teaching Note

### Case Summary

In this case, a management dilemma in the context of a large Swiss fast food restaurant chain is presented, showcasing the difficulties in turning novel ideas into marketable and scalable innovations (Knaus & Merkle, 2020). The case analyses how the company used Service Design Methodologies to improve their customers' experience. Based on increasing competition and pressure, a customer-centric approach is chosen for the first time in this company. After the scene is set and the case is contextualized, the double diamond framework for Service Design projects is introduced and discussed. The case then presents a number of analysis methods employed as well as approaches used for idea generation and prototyping, showcasing the double diamond framework as a toolbox that can be adapted to users' needs. Advantages and shortcomings of the methodology chosen are discussed in the light of the situation, leading to case study questions that encourage students to become active themselves by conducting some own (desk) research. The case is based on a real-life example but had to be anonymised for confidentiality reasons. The Service Innovation Gap serves as conceptual scaffolding, allowing students to contextualise Service Design as a powerful innovation method for scalable services.

### Teaching and Learning Objectives

- *To understand the Service Innovation Gap as a barrier to service innovation.*
- *To understand how Service Design can allow service organisations to develop and implement service innovations with a customer-centric focus.*
- *To identify and evaluate the expectations of various stakeholders in real life contexts.*
- *To understand how difficult the interaction and cooperation between different stakeholders can be.*

## ***Target Audience***

This case study is directed at tourism and/or business management students with a focus on services management and/or services marketing. Whilst we initially targeted this case study at undergraduate students, it can also be used in postgraduate courses. Students should possess a general knowledge of services management and why there is a need for organisations to innovate before the case is used in class. The broad range of questions allows a selective use to make the case attractive for various student backgrounds.

## ***Teaching Approach and Strategy***

The case work and presentations can be done on site or online using numerous different set-ups depending on context, time available, course background, etc.

We suggest giving the students a preparation task (read the case) before the session. After dividing students into small groups, they should be allowed to re-read, clarify issues and align as a team. Thereafter, case study questions can be allocated to the groups (we suggest one question per group). Certain questions invite students to conduct own (desk) research in order to develop suitable answers. These activities can, depending on the setting, take place under faculty guidance or as peer activity between students. The reporting and answering format can vary due to the given circumstances. Typically, we would suggest that students prepare a short presentation and encourage them to make use of media to increase the effectiveness of their presentations.

- Re-reading, clarifying of case: 15 min.
- Discussion and preparation of case, research: 45 min.
- Presentations: 5 min per group.
- Discussion and wrap-up: 20 min.

## ***Analysis: Sample of Indicative Answers***

1. As opposed to classical innovation management approaches, Service Design follows the philosophy of rapid prototyping and failing early. Using a services industry example of your choice, conduct own (desk) research in order to contextualise. Following your own (desk) research, evaluate why Service Design follows this philosophy. Elaborate benefits and disadvantages of this approach in comparison with classical innovation management approaches.

Answers might understandably vary depending on the example context chosen by the students. When comparing Service Design with classical approaches, advantages might include:

- Customer-centric methodology, where organisations can ensure they develop what is needed by the customers.
- Fast feedback allows quick reactions to customer requirements.
- Failing early in the process reduces development costs.

Disadvantages on the other hand might include:

- Exposing new ideas to customers early in the process might intimidate employees, especially product and process owners.
- Holding Service Design workshops requires specific knowledge, skills and prior coordination.
- Senior management might oppose to the modern methodologies in favour of more classical approaches that have been known and applied in the past.

2. What challenges do you think can arise in larger organisations when applying the Service Design method? What are the advantages and disadvantages of the method? Concentrate on specific aspects (e.g. the development of a minimal viable product based on ideas) when elaborating your response.

Possible challenges could be:

It may be difficult to involve all directly concerned stakeholders within the organisation in the project development and the different project phases due to limited availability of resources in the project. Nevertheless, the project result and the method applied both need to have the acceptance of the employees, implementing the final solution, which can be achieved by early including involved employees.

Advantages include the requirement for an organisation to get in contact with their customers and to listen to their needs. By testing minimal viable products early in the process, it is still possible to adapt prototypes based on customer feedback. The approach furthermore gives a voice to customers.

Disadvantages include the necessity for organisations to be courageous and test incomplete prototypes with customers. To do so successfully and without harming one's reputation, a careful test preparation and setting are required.

Furthermore, Service Design is still a young and not very well-known method in many industries. Management as well as frontline employees may still need to develop trust in the method. Service Design forces organisations and project owners to cope with uncertainty in terms of project development and project result.

3. When the prototypes were tested at one restaurant, the staff on site initially were opposing the changes in their daily work. Based on conducting your own (desk) research, elaborate possible reasons for this resistance. Can you identify relevant theoretical concepts in the literature helping explain how Retail Group could have prevented such resistance?

In the present case, it becomes evident that there was a lack in communication between headquarters and the outlet in question. Since a number of theoretical approaches can be used to address this situation, student responses might again vary. We find the resistance cycles model (Scott & Jaffe, 1988) particularly

useful for the given case. According to this model, people go through four phases of response to change: denial, resistance, exploration and commitment. Each phase corresponds to specific behaviours and emotions and can thus be specifically addressed by management.

4. Prantl et al. (2009) have identified an inability of employees to share innovative ideas with their supervisors as one of the reasons for the existence of the Service Innovation Gap. Using this case or own examples as context, present examples why food service frontline employees might be unable to share their innovative ideas with their supervisors and discuss how organisations could improve the situation.

Food service frontline employees often have not been privy to formal professional or higher education. In that sense, although their ideas might be relevant, they often lack credibility in managements' perception. Supervisors and managers thus can become the "innovation barriers". One way to solve this is to develop a culture of open and friendly communication between hierarchical levels, showing appreciation for ideas presented by frontline employees.

### Note

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# Chapter 11

## Product Development for the HAJ Restaurant Chain Based on Financial, Resilience, and Stakeholder Perspectives



Meysam Ramyar

### Introduction

The success of any hospitality business depends mainly on its product development. Product development includes activities that create new or changed offerings, markets, organisations, and processes. It enhances sales, improves customer satisfaction, augments quality, diminishes costs, and benefits organisations. For hospitality organisations to succeed, product development needs to be incorporated into the company's product development goals and targets (Gursoy, 2018). Accordingly, product development should be a strategic part of a hospitality organisation's annual business plan. When a hospitality organisation decides to develop its business, various motives usually affect it. These motives can be reactive/proactive or internal/external (Chowdhury et al., 2020).

Product innovation is considered one of the significant success factors for manufacturing and service-based companies such as hospitality and tourism businesses. Businesses that face high levels of competition experience additional pressure to introduce new products to capture new markets. The success of product development projects is usually measured by the length of lead and development time, the cost of the project, and the project's ability to satisfy customer demands (Chowdhury et al., 2020). However, although product failures such as cost and time overruns and even failure to achieve desired product performance are typically attributed to the planning and implementation process of a business or organisation (Gursoy, 2019), stakeholder perspectives and their roles in product development are rarely the focus of industry consideration.

Stakeholder perspectives arising in product development are often discussed reactively instead of through proactive management strategies (Shandilya et al.,

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2020). The reactive approach to stakeholder perspectives can be called the monitor and adapt approach; an example is a case that faces unexpected problems in the design phase of the product development process. The managers monitor the situation and try to adapt accordingly (Ramezani & Camarinha-Matos, 2020). They try to find possible solutions to the issues that are effective in the short term. Stakeholder perspectives and resilience complement each other, indicating that resilience analysis and management are well integrated into stakeholders' studies today. Therefore, a company's ability to identify, analyse, and mitigate the technology-related and organisational requirements that arise within the product development process may be enhanced by introducing resilience-inspired approaches to product development (Settembre-Blundo et al., 2021). Resilience approaches are the process of being able to adapt well and bounce back quickly in times of stress. This stress may manifest as family or relationship problems, serious health problems, problems in the workplace, or even financial problems, to name a few. Developing resilience can help cope adaptively and bounce back after changes, challenges, setbacks, disappointments, and failures (Yıldırım & Solmaz, 2022).

Resilience is the ability of a system to sense, recognise, absorb, and adapt to changes, disturbances, variations, surprises, and disruptions. Since its inception, resilience thinking has been utilised in many business-related situations, including organisations, restaurants, and business models (Burnard et al., 2018). Burnard and Bhamra (2019) distinguished systems designed for resilience and plans for stability. They proposed the current concept of resilience to describe ecological systems that persist in unpredictable conditions. Also, they developed two ideas from the study of natural systems to the management of manufactured systems: first, regardless of the sophistication of upfront planning, unavoidably, important future events will be unexpected. Second, Burnard and Bhamra (2019) advocated substituting the prediction of unforeseen circumstances with the capacity to absorb and accommodate unanticipated events in whatever form they may arise. Focusing on resilience involves ensuring the availability of post-surprise options within an approach to product development, assuming that traps are inevitable (Woods, 2017).

This case study presents the opportunity to develop a holistic approach to integrating financial, stakeholder perspectives, and resilience-based thinking into product development in the HAJ restaurant chain. It encourages incorporating financial, stakeholder, and resilience perspectives into day-to-day product development processes in tourism and hospitality. It demonstrates that, on the one hand, it is necessary to implement a stakeholder perspective analysis framework to give proper direction to a resilience-based strategy and financial perspectives and, on the other hand, how resilience-based methods add reactive and adaptive capabilities to a process, not represented by management alone. Besides, this study aims to determine firstly, financial indicators analysis to evaluate the restaurant's better product development; secondly, to assess the factors which influence restaurant product development via resilience perspectives; and finally, to evaluate stakeholders' policies for better performance and potential in terms of product development during the pandemic. This case study applies this argument to product development in the Iranian HAJ restaurant chain.

Students need to increase their ability to embrace change and innovation and adapt to a dynamic environment. Besides, this case study is suitable for hospitality and tourism students to understand better the importance of product development in restaurant performance. It illustrates the challenges of leading learning to develop students' critical thinking, innovation, and collaboration skills. To collaborate effectively in solving a case study, students must have a basic knowledge of restaurant operations and product development, particularly resilience and stakeholders' perspectives, and financial decision-making practised in their programmes.

## Stakeholder Perspective in Product Development

The network of stakeholders exacerbates the complexity of the multi-stakeholder product development process and entities linked directly or indirectly through sequential or shared participation in product conceptualisation, design, assembly, transformation, and offering assortments of products in response to customer demand (Barrane et al., 2020). Indeed, the product development process depends heavily on relationship stability and durability within the network (Xin et al., 2020). The essence of these relationships is trust building among the different stakeholders. Trust enhances cooperation between stakeholders and their commitments and reduces inefficiencies resulting from opportunistic behaviour (Stone et al., 2020). Besides, trust becomes more critical in relationships with higher risk, uncertainties, and knowledge sharing, such as in product development when the risks and costs are very high (Cappiello et al., 2020).

Previous research focused on analysing the importance of trust in building collaborative product development; however, it fails to explain how trust is understood, described, or conceptualised in building these collaborations (Gursoy, 2019). Moreover, the absence of trust is felt more in complex scenarios where the product development process is undertaken remotely without personal contact between the team members. Moreover, the existing studies have focused on analysing the impact of trust on stakeholder collaboration in conventional manufacturing organisations (Bisbe & Sivabalan, 2017).

Collaboration with stakeholders is a promising strategy for successful product development in today's environment (Pienaar et al., 2019). It is imperative to respond to rapid changes, intense global competition, and shortened product life cycles (Mathrani & Edwards, 2020). This is because it helps to reduce costs, risks, and uncertainties and enables firms to access otherwise unavailable knowledge, assets, and resources or complementary resources. Also, socially responsible firms align behaviours with the norms and needs of their primary stakeholders (Hayibor, 2017). The past literature has delineated two types of collaboration: internal and external. Internal collaboration relates to cooperation among units and inter-functional teams within an organisation. External collaboration refers to interactions between an organisation and external partners (e.g. customers, suppliers, and government). Each stakeholder adds value and contributes to creating new innovative ideas: clients update managers on

their needs and indirectly provide information related to the profit potential of a given market (Alimova et al., 2020). Through this reduction in uncertainty, managers can reduce the time and costs associated with new products by offering multiple perspectives on their design (Bendig et al., 2018). Finally, management supports teams and mitigates the risks they face. They encourage other members to engage in the design process with the assurance that they will not assume substantial, risky responsibilities (Gursoy, 2018). By doing so, researchers have attempted to identify ways for managers to best meet their stakeholders' expectations and mitigate the complexity of managing multiple stakeholders and their conflicting issues regarding product development (Jayasuriya et al., 2020).

## Resilience in Product Development

Resilience in product development can fall into several categories: there can be resilience for each objective, e.g. financial resilience (more financial reserves than needed according to plan), schedule resilience (schedule reserves), and performance resilience (e.g. redundancy or over-engineering). Resilience can also be created at lower levels by holding excess capacity (e.g. testing facilities), while creating an agile product development system aligns with efficiency-driven management styles (Hosseini et al., 2019). Transparency regarding the project's risk situation forms the basis for making a business case favouring critical resilience against excess resilience (Cheer & Lew, 2017; Ensor et al., 2018).

Various studies have reported the crippling effects of crises on tourism, indicating a lack of industry resilience to major external shocks (Ntounis et al., 2022). Bangwayo-Skeete and Skeete (2021) defined resilience as the capacity of the industry to deal effectively with disasters and self-inflicted crises to maintain stability while also ensuring the flexibility and diversity necessary for innovation and further development. Extant research into tourism and hospitality industry resilience has focused on specific crises, such as climate change and natural disasters, economic crashes, and terrorist attacks (Yang et al., 2021).

The COVID-19 pandemic has become a common feature of the tourism industry, requiring greater stakeholder collaboration to plan for and manage resilience (Ensor et al., 2018). The scale and rapid onset of the COVID-19 pandemic—with travel bans, quarantine restrictions, closures of borders and tourist accommodation, and the worldwide grounding of flights—have had devastating economic impacts on the tourism sector (Gössling et al., 2020). Additionally, there are social impacts due to associated furloughing and job losses. The tourism and hospitality industries are very labour-intensive, with projections that technology may play a more critical role in a post-pandemic tourism world, potentially leading to further job losses (Gretzel et al., 2020). However, the pandemic's impact on tourism and hospitality resilience is merely an amplification of standard practices (e.g. rapid-fire recruitment and reduction of staff based on demand), accelerated by the speed of the virus and the (in)ability of government schemes to address the social vulnerabilities of the workforce and communities in which tourism is the primary industry (Ntounis et al., 2022).

From the product development perspective, resilience is the capability of a system to sense, recognise, absorb, and adapt to changes, disturbances, variations, surprises, and disruptions (Aven, 2017). Resilience focuses on retaining post-surprise options, assuming that surprise is inevitable as an approach to product development. In operationalising the resilience concept, Burnard and Bhamra (2019) asked: resilience of what to what? Separating system performance from system uncertainties to what? Applying questions to the product development process and system performance involves development time, cost, and product quality. At the same time, uncertainties consist of significant risks influencing the product's cost, development time, and quality. Two managerial practices, including (a) stability focused and (b) resilience focused, are practised in product development projects.

Aven adopts a holistic approach integrating new products and resilience-based thinking. This approach promotes considering both resilience and new product perspectives as complementary. Following this argument, a new product analysis framework is required to give proper direction to a resilience approach. Moreover, resilience approaches add reactive and adaptive capabilities not covered by a new product. Therefore, it is hypothesised that introducing a resilience-inspired monitor-and-react approach to product development risk management may enhance the ability of the product development process to identify, analyse, and mitigate the technology, requirement, and organisational risks. This case study transfers this argument to the product development process and investigates the potential of integrated and resilient approaches to improve the HAJ restaurant chain's product development process.

## **Restaurants Strategy During Pandemic**

The restaurant business sector plays an essential role in a country's economy, even though many small- and medium-sized restaurants fail during their first 4 years. This is an example of the need for financial strategies to sustain their business beyond 5 years. Other authors have also pointed out the importance of a survival strategy for the restaurant sector and re-establishing consumer confidence (Madeira et al., 2020). Economic sustainability refers to the additional income provided to local inhabitants to compensate them for the presence of tourists and what that can result. It can also be defined as the improvements to the local economy that tourism development can produce in the long term, considering all the impacts that affect the different sectors and the economy of local industries (Ma & Liu, 2019). Organisational sustainability and sustainable performance continue to be challenging for small- and medium-sized companies because their resources and structure are limited (Núñez-Ríos et al., 2020). Unsustainable economic growth generated by a robust fiscal stimulus or a combination of tax reductions and increases in expenditure can lead to catastrophic and long-lasting effects on macroeconomic stability in some restaurants (Bénassy-Quéré et al., 2020).

The recent health crisis caused by COVID-19 quickly turned into a financial downturn due to the restrictions imposed by most countries to control the expansion of this pandemic (Hayibor, 2017). This unexpected crisis has particularly affected the tourism industry, and as a result, the restaurant business has been one of the most affected (Song et al., 2021). Restaurants were forced to close or operate with many limitations, and in Iran, only takeaway and delivery services were allowed. Although restaurateurs have experienced and survived many crises in recent decades, this new pandemic will have devastating effects on the world economy, never before experienced in modern times (Finset et al., 2020). For the first time in history, the world is facing a crisis that has suspended the future of all restaurants, with a significant weight on the world economy and especially on destinations with a more excellent tourist and hospitality vocation, as well as the thousands of people who work in and depend on this industry to survive (Rodríguez-Antón & Alonso-Almeida, 2020).

## Background: HAJ Restaurant Chain

The emergence of a new food sometimes returns to a particular place or person and remains in the life of the people for years; the story of Akbar Joojeh is one of these foods. Akbar Joojeh is a delicious Iranian food whose name is taken from Haj Ali Akbar Kalbadi, known as the founder of Akbar Joojeh restaurant in Mazandaran. HAJ restaurant chain was started from a small cafe on the old road of Gelogah county in the east of Mazandaran province that served the local chickens flavoured with salt, pepper, and lemon and fried in abundant oil with grenadine as a seasoning and food supplement fragrant saffron rice of the north to his customers. A portion of food was introduced as a food brand in the northern region of Iran and exported across the country due to the people's interest in it.

HAJ restaurant chain employs over 700 staff members to operate its multiple divisions, including food and beverage, delivery, cashiers, recreational activities, etc. This case study focuses on the restaurant division's performance, the most significant branch in the Mazandaran province. As shown in Fig. 11.1, the HAJ restaurant chain serves 34 branches in 26 cities in Iran, offering diverse food styles to cater to different national and international customer markets. These investments have established HAJ restaurant as a highly valued premium destination for domestic and international travellers.

During the COVID-19 pandemic, the first negative impact was the closing of the branches of the HAJ restaurant chain, which saw a plummet in sales while still carrying expenses, including marketing, and deferring nearly all of the capital spending, including opening new restaurants. During the lockdown, managers focused on simplifying the menu to minimise costs and prep work, enhanced carry-out options, and revamped the HAJ restaurant chain performance. Managers furloughed some



**Fig. 11.1** HAJ Restaurant chain's distribution (with permission). (Source: <http://www.akbarjoojeh.com/realbranches/>)

team members at the support centre and reduced pay for the remaining team members.

This case study assesses existing organisational data to establish the current performance of the HAJ restaurant chain. Eight interviews were conducted for product development to exemplify the financial, resilience, and stakeholder perspectives. Policies, social media, and restaurant intranet databases were sourced to identify and measure.

HAJ restaurant management considers all financial, stakeholders, and resilience perspectives for their decision-making for the future. The performances of the remaining perspectives are frequently considered but rarely compared to any benchmarks. However, this study found evidence of key performance indicators for the three perspectives. The findings specific to each perspective are presented next.

## Financial

The profit and loss statement was analysed to evaluate the financial performance of the restaurant division. Profit and loss analysis traditionally involves comparing monthly and yearly financial results with the previous year's performance (Günay & Fatih, 2020). However, since the pandemic, management has identified that the last year's financial performance is no longer a relevant benchmark, given the unpredictability and uncertainty of fluctuating business demands. Instead, managers

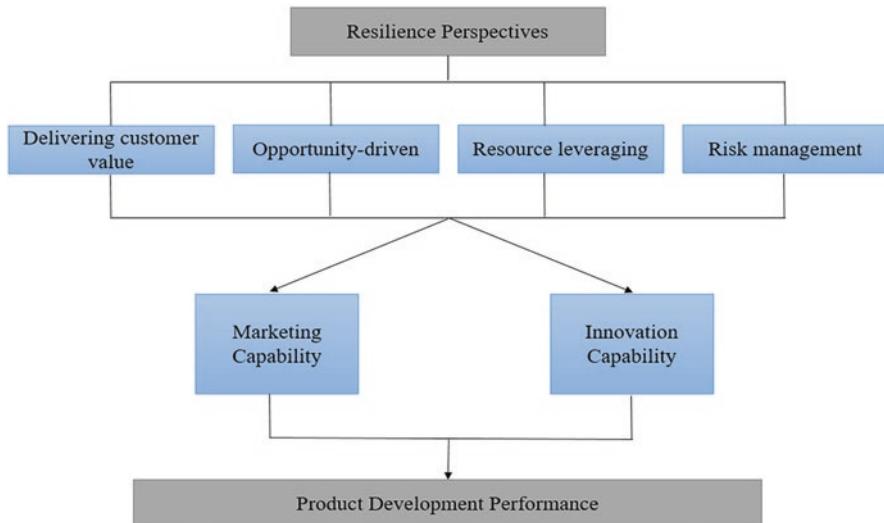
**Table 11.1** Financial restaurant key performance indicators pre and during COVID-19

Financial restaurant benchmarks		During pandemic
Sales	Sales are required to cover the cost of food, beverage, and paper supplies, net of any vendor rebates	42.0%
Net income	The percentage of each sale required to cover the cost of store labour	43.9%
Payroll cost	The expenses are associated with preparing and distributing payroll as part of the compensation to employees for their services	44.3%
Occupancy	The percentage of a busy restaurant, such as average daily rate and revenue	60.0%

refer to a general guideline when discussing business trends and strategies during weekly and monthly meetings. Despite experiencing a significant business downturn, the overall financial performance of the restaurant division was estimated. Total occupancy achieved for March 2022 was 60.0% compared to a budget of 67.8%, representing a stagnation of 11.2%. Besides, the sales were 42.0%, while food costs were 58.0%. A further payroll and other expenses, such as maintenance, facilitated the restaurant division in retaining a net income of 44.3% against a budget of 41.1%. Similar stagnations were also noted in the yearly results. The net income percentage for the restaurant division was 43.9%, as compared to a budget of 43.0%. The financial performances of the restaurant division are summarised in Table 11.1.

## Resilience

The empirical results from the interviews show that product development performance is positively impacted by resilience in the four factors, delivering customer value, opportunity driven, risk management, and resource leveraging, which can affect product development in the HAJ restaurant chain. In addition, some factors that positively influenced resilience could be business experience, transformational leadership in market turbulence, and competitive pressure during a pandemic. Likewise, the managers of HAJ restaurant paid attention to product development performance through opportunity-driven risk management, customer value, resource leveraging, and marketing and innovation capabilities. So the value set of variables can accelerate the relationship between delivering customer value, innovation capability, and marketing capabilities. Lastly, the set analysis of results accelerates the connection between resilience indicators. However, these findings provide theoretical and managerial contributions and future research directions in Fig. 11.2.



**Fig. 11.2** Resilience perspective on product development

## Stakeholders

Interviews were conducted with stakeholders: one interview with those responsible for the restaurant menus and helping customers select food/beverages; six interviews with the one who is accountable for product development; and one interview with who is responsible for the preparation and facility. These individuals served as critical stakeholders and were chosen based on their perspectives to provide meaningful policy on the HAJ restaurant chain in product development. Because this was an essential performance indicator exploration, questions for all respondents were the same and contextualised by stage of the product development. In the first stage, stakeholders believe four indicators play a crucial role in product development: develop, validate, implement, and measure. Secondly, they faced some obstacles in product development, such as lack of clarity and poor communication, seeking correlations to improve predictability, lack of time to ensure flawless execution, and providing buy-in upfront on the criteria for success. Finally, stakeholders should consider collaborative policies, use market tests and strength training programs, and use sales and marketing yardsticks to tackle this problem.

Specific ideas emerged for each stage in which stakeholders consider four aspects based on product development, including develop, validate, implement and measure, which are important in product development in the HAJ restaurant chain, as outlined in Table 11.2. HAJ restaurant chain's product development team consisted of six team members specialising in marketing, finance, operations, food

**Table 11.2** Stakeholders' perspectives on product development

Stage	Key need	Key ideas	Key concerns
Develop	Collaboration was frequently cited with suggestions: Chefs and suppliers working together or a pipeline council that helps identify what moves forward	Tools: supplier/develop briefs; mind mapping; qualitative groups with prototypes; regional guidance tests	Lack of clarity and poor communication
Validate	Use market tests when possible	Market tests are necessary if the budget allows. Tools: operations tests; in-store testing; concept product tests; advertised test markets; buyer reaction studies	Seek correlations to improve predictability
Implement	Strong training programs	Tools: training calls; training sessions; review stage for marketing materials	Lack of time: Not enough time to ensure flawless execution
Measure	Use both sales and marketing yardsticks	Tools: advertising awareness trackers; buyer reaction studies; franchisee feedback/team member feedback	Ensuring buy-in upfront on the criteria for success

commercialisation, training, and quality assurance. The empirical results from the interviews were designed to identify if team members believed the four factors were being followed, were being executed effectively, and whether there was an understanding of the process. Only two team members thought the HAJ restaurant chain often followed product development. There was also a sense that the process was not being executed effectively; about 75% of the team members ranked the execution of the process as “very effective”. Concerning their knowledge of the process, about 50% of the team members indicated they were only somewhat knowledgeable regarding product development.

## **Discussion**

This case study undertook eight interviews to examine the HAJ restaurant chain’s existing operational practices to propel opportunities for optimising the restaurant’s performance. The research findings highlighted that the HAJ restaurant chain performs well in the current business landscape. However, the management team has acknowledged that they need to enhance the existing work system based on product development to effectively guide the operations throughout the highly uncertain times of the pandemic through three indicators: evaluating the financials (sales, net income, payroll cost, and occupancy), suitable measures for resilience evaluation (delivering customer value, opportunity driven, risk management, and resource leveraging), and stakeholder policies (develop, validate, implement, and measure) to maintain and increase product development during pandemics. The fundamental challenge resides in the ability of product development managers to lead with resilience, stakeholders’ perspective, and financial also and, at the same time, control what is internally possible. The following management strategies have been identified as the primary focus areas in search of organisational improvements.

### ***Management Perspectives***

- How can the stakeholders adapt the restaurant’s policies to cater to the customers during pandemics?
- The pandemic has changed the budget estimates and last year’s performances for measuring the financial perspective. What other financial benchmarks can be used, and how can they inform product development?
- Product development is often perceived as a risk during uncertain times. How can the resilience perspective encourage organisations to embrace product development?

## ***Indicators***

- Restaurants tend to focus exclusively on evaluating the financials as the primary indicator of restaurant performance. How can we change this strategy by adopting a framework to achieve product development?
- What are the suitable measures for resilience evaluation to embrace product development?
- How can the stakeholders extend their policies to maintain and increase product development during pandemics? What initiatives specifically could contribute to better restaurant performance?

## **Conclusion**

This case study explored the product development activities of the HAJ restaurant chain in Iran using financial, resilience, and stakeholders' perspectives. It uncovered that the product development of restaurant performance is a complex process. The analysis used interviews, such as the restaurant's internal performance and benchmarking data. These views suggest what implementation considerations and perspectives matter to the management team in terms of financial indicators for the restaurant's product development (sales, net income, payroll cost, and occupancy) and assess the factors which influence restaurant product development via resilience perspectives (delivering customer value, opportunity driven, risk management, and resource leveraging), finally evaluating stakeholders' policies for better product development performance during the pandemic (develop, validate, implement, and measure). The most frequent product development measures are financial. Other essential measures in the non-financial domain include resilience and stakeholders' perspectives. This investigation shows that there is a scope for product development to account for the innovations to meet the strategic goals of the restaurant during a pandemic. The tension between financial, resilience, and stakeholders' perspectives reveals opportunities for product development and dynamic performance product development systems in rapidly changing and uncertain times. The more comprehensive assessment of the product development system, using the resilience-based approach, may provide more meaningful insights into the restaurant's key strengths and possible competitive advantages, consequently driving future product development decisions.

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## Teaching Note

### Case Summary

The COVID-19 pandemic presents the Iranian restaurants and restaurant industry with unexampled issues. The post-COVID-19 era of restaurant management requires an attitude to assessing and benchmarking product development. To outlive, rival, and improve the business, restaurants should focus on strategic finances, resilience, and stakeholders. The significant role of performance product development is highlighted in this case study through interviews to uncover new policies to optimise the restaurant's performance. Underpinned by the financial, resilience, and stakeholders' perspective framework and theories, this case study encourages students to apply creative thinking to the issues and activities presented in the case study.

### Teaching and Learning Objectives

The case study provides students with the following opportunity to:

1. *Identify and use suitable financial indicators to inform product development.*
2. *Use the resilience perspective approach and the case study information to identify product development performance gaps and make recommendations to improve future practice.*
3. *Recommend stakeholders-based strategies to support effective product development in HAJ restaurants.*

### Teaching Approach and Strategy

It is suggested that three sessions be devoted to this case study. The first session will assess the effects of COVID-19 on the tourism and hospitality industry in Iran and in general. This can be followed by providing stakeholder perspectives and critical performance indicators. Students can be divided into two groups after a general discussion about the pandemic and economic issues. Each group evaluates a different set of financial perspectives, resilience, and stakeholders from the case study. Teachers should nurture experiences socially through which students build their knowledge by discussing, comparing, and reflecting on their performance and implications for different situations. The second class focuses on each group presenting their recommendations and plans for overcoming the challenges and creating a focused set of practical advice for product development. In the third class, students should suggest future suggestions for improving, expanding, and innovating financial, resilience, and stakeholder perspectives within product development.

Teachers should emphasise to students that the optimal solution balances performance goals and optimises HAJ restaurant's performance. The suggested teaching plan is given in Appendix 1.

## ***Target Audience***

This case study is proper for students' understanding of hospitality and tourism programmes to better realise the importance of product development on restaurant performances during pandemics. The study shows leading learning challenges to foster students' critical thinking and innovation based on the suitable financial indicators to inform product development, resilience perspective approach, and the case study information to identify product development performance gaps and stakeholder-based strategies to support effective product development in HAJ restaurants. To effectively collaborate on the case study resolution, students should have a fundamental knowledge of restaurant operations and product development, particularly the planning, resilience, stakeholders' perspectives, and financial decision-making practised in their programmes.

## ***Recommendations***

Every financial, resilience, and stakeholders' perspective takes a unique role in restaurant product development. To achieve the restaurant's goals, students could balance the focus of all perspectives (e.g. financial, resilience, and stakeholders). Students can recognise the prevalent product development gaps, identify opportunities for resolving the holes, and lay out the interconnections among all views to attain a balance.

Students need to remark on the linking between the suitable financial indicators to inform product development, resilience perspective approach, and the case study information to identify product development performance gaps and stakeholder-based strategies to support effective product development in HAJ restaurants. Consequently, students could acquire innovative findings by identifying the challenges and connecting them to develop suitable strategies for product development in restaurant performance.

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## Appendix 1: Proposed Teaching Plan

Session	Learning objectives	Delivery
1	Inquiry about the suitable financial indicators to inform product development	Group activity
2	Resilience perspective approach and the case study information to identify product development performance gaps	Lecture and group activity
3	Stakeholder-based strategies to support effective product development in HAJ restaurants	Presentation of group activity

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**Part III**

**Sustainability and Community  
Engagement**

# **Chapter 12**

## **Community Involvement in Cultural Heritage Tourism: The Case of Ngorongoro Conservation Area, Tanzania**



**Yusuph John Kulindwa**

### **Introduction**

Heritage tourism sites are a unique segment of the broader tourism sector worldwide, providing various benefits to the community, including social services, livelihood support and employment for local people around the heritage sites. Community involvement in cultural heritage plays an important role in promoting tourist visits and the conservation of natural resources. Despite its importance, community involvement in cultural heritage and its benefits are not known to the majority of players in the tourist industry. In Tanzania, communities involved in heritage sites work closely with the advisory board and programmes to attract tourists and conserve natural resources. For example, the Ngorongoro Pastoral Council (NPC) was established as an advisory body to the Ngorongoro Conservation Area Authority (NCAA). It works closely with the community living in the Ngorongoro Conservation Area, who are self-employed, selling handicrafts to tourists visiting their boma cultural heritage sites in the Arusha region (Melubo & Carr, 2019).

This case study uses the community's involvement in cultural heritage, the NCAA and Arusha region as an example to explore the potential of community involvement in cultural heritage sites in the context of tourism. It should be noted that ecotourism projects have been established in the Ngorongoro Conservation Area, including seven cultural bomas and campsites owned and operated by the Maasai community, which benefits directly from tourists visiting them and using the facilities. These benefits generated are shared by the Maasai community and the NCAA, with each receiving 50% of the revenue from the visits. However, income from selling handicrafts is not shared. The case study underscores the importance of understanding that community involvement in cultural heritage, such as bomas, is increasingly becoming a way of attracting tourists, which is different from what the

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majority knows about tourist sites that have existed for many years. For example, tourists on holiday visit bomas (Fig. 12.1) to learn about the local culture and buy traditional handicrafts like necklaces and bracelets made from beads. To ensure sustained community involvement in the cultural tourism industry, the potential of which is currently unknown, needs creative and critical thinking to understand the main factors that could significantly influence the community to enter and control the cultural heritage. Regarding bomas, it is unclear whether this cultural heritage is still attractive enough for the community to be involved in and invest in it amid Covid-19. Little is known about the main factors that could significantly influence the community to enter and control cultural heritage sites post-Covid-19 nor is it understood how important bomas are as cultural sites for continuing to attract tourists and which attributes of bomas influence local and international tourists after the impact of Covid-19. These tourism-related challenges could be addressed through assignments given to students.

Community involvement in cultural heritage sites enhances community members' involvement in the handicraft business and hospitality given to tourists and helps to conserve the natural resources that attract tourists. Conservation and tourist stakeholders could benefit from understanding the potential of community involvement in cultural heritage and tourism through the lens of the social exchange theory (SET). SET is the theory that has been used extensively in several studies to explain individual and group behaviour based on cost benefit in the exchange of goods, materials and intangibles (Gharib et al., 2017; Homans, 1958). SET portrays the behaviour of how communities and individuals interact, with costs and benefits being the primary tie or factor (Blau, 1964; Jahan & Kim, 2021). Individuals and communities seek to maximise their utility when exchanging resources with one another in a particular locality.

It is clear that the community is seen as a group of people with diverse behaviours, which can be linked through social ties and interactions. Social interactions through SET (Wang et al., 2019) can improve exchanges at cultural heritage sites. Therefore, SET provides insights into how the authorities and tourists can interact



**Fig. 12.1** Boma cultural heritage at Ngorongoro Conservation Area. (Source: <https://www.exploring-africa.com/en/tanzania/ngorongoro-conservation-area-zones/maasai-and-ngorongoro-conservation-area>)

with the community at cultural heritage sites, why they would do so and whether this impacts attracting tourists even during crises like Covid-19 (Mkono & Tribe, 2017; Paraskevaidis & Andriotis, 2017). Furthermore, the heritage site community benefits from institutional arrangement theory as it plays a crucial role in ensuring the mutual distribution of tourism-generated revenues among stakeholders. The institutional arrangement approach is likely to protect and support community interests from either informal or formal perspectives (Badola et al., 2018).

The case study intends to identify the benefits that the community, conservation authorities and investors see in selected heritage sites, inspire students to read real case studies from which they can learn and identify the factors that encourage the community to be involved in heritage sites. It is aimed at students, giving an overview of tourism business management. The case study presents highlights to give students a better understanding of the institutional arrangements theory and SET and apply them in the context of this case study. It will enable them to see the potential of community involvement in cultural heritage sites and help them recommend a range of heritage site destinations, such as bomas, that could be used to attract tourists. Students could develop critical thinking skills and recommend how heritage managers could negotiate with partners or government agencies on the key factors that could significantly influence the community to remain at heritage sites even when a crisis like Covid-19 occurs. Please refer to Fig. 12.1 for boma cultural heritage sites in Arusha, Tanzania.

## **Community Involvement in Cultural Heritage Sites: An Overview of the Tourist Industry**

According to MacQueen et al. (2001), a community is viewed as a group of people with distinct characteristics linked by social ties, sharing common perspectives and engaging in common actions at specific geographic locations. Regardless of the social bond or tie, individuals may differ in perceptions, attitudes and interests in undertaking or engaging in the activities detailed in SET, which assumes that individuals are likely to engage in a tangible or non-tangible activity when the cost is less than the benefits.

Using both SET and the institutional arrangements theory, the case study explains community involvement in cultural heritage sites and its benefits. In the case of bomas, community involvement in establishing handicraft brands that have various uses is likely to attract tourists. By applying SET and the institutional arrangements theory, the community at heritage sites containing bomas will gain a better understanding of how to interact with tourists as the main stakeholders of cultural heritage sites through this case study.

On the one hand, and based on SET, the social behaviour of participating in an activity can be attracted by physical incentives, whereby the community can offer materials such as handicrafts at cultural tourism facilities in exchange for

tourism-related benefits (Chang, 2018). SET assumes that people enter into or invest in, and maintain, a relationship, whether the benefits are tangible or intangible, when the net positive value outweighs the costs (Mitchell et al., 2012). Therefore, SET provides an understanding of the relationship between the perceived benefits of being involved in cultural tourism, particularly at cultural heritage sites containing bomas, which could influence the community to be deeply involved in preserving the cultural heritage in this case study.

On the other hand, the benefits and costs of developing tourism are determined by the physical environment, economy, community and cultural heritage sites (Ribeiro et al., 2017; Chang, 2018). Cultural services, which include services from cultural heritage sites, are based on institutional arrangements. Before the arrival of the colonisers, the community preserved its cultural heritage (Ichumbaki, 2017). After their arrival, they ignored the traditional practices through institutional arrangements, which disrupted the link between the community and the preservation of the cultural heritage. Institutional arrangements or structures can be defined as “a set of accepted rules (procedures, practices, laws, customs, shared goals) in a society that negotiate, support, control, protect interests and restrict human interaction and behaviour” (Bakar, 2015, p. 38). Developing countries managed to restore their cultural practices after independence in the 1960s by adopting the development approach, which promoted community involvement in preserving cultural heritage and sharing the benefits with development projects.

Based on Borrini-Feyerabend (2007), community involvement is influenced by institutional arrangements that cause individuals to be aware of the benefits of preserving the heritage, even though they may be unaware of the problems that exist in the region. People who may be affected by institutional arrangements when the institution fails to govern, support them or protect their livelihoods, as happened during Covid-19, are those who depend for their income on an asset such as cultural heritage. According to Keeley (2001), institutional arrangements play an important role in supporting community involvement in managing natural resources. Selman (2004) states that participation can be passive in that people get involved in conservation at cultural tourist sites.

In addition, the community can be part of the decision-making process through joint venture agreements with the authorities at tourist locations about the fair sharing of natural resources, administrative functions and the benefits derived from conserving natural resources (Borrini Feyerabend (2007)). Following the outbreak of Covid-19 as an external force, institutional arrangements of the community living in the Ngorongoro Conservation Area were disrupted due to tourists cancelling their visits. According to North (1990), the community is subject to institutional change when goals are not attained and benefits are not shared among actors. However, when local communities at cultural heritage sites are strong, resilience to adverse cultural and social practices is guaranteed, and benefits are shared with collaborators in managing the cultural heritage (Badola et al., 2018).

In line with the theoretical overview above, community involvement in enhancing heritage management projects or programmes may be the simplest approach when positively perceived institutional arrangements are in place and legally

communicated to the community residing within heritage sites. During the Covid-19 pandemic, community involvement was reinforced on the one hand, but collaboration between the cultural heritage authorities and local producers of handicrafts was disrupted. At the tourist destination of Ngorongoro Conservation Area, the 48 million USD recorded was less in 2020 than in 2019 (Fig. 12.7).

## ***Maasai Cultural Heritage and Culture***

As explained earlier, cultural heritage sites, including bomas, have increasingly become a critical part of the tourist industry in terms of hospitality, business and making a living by households dependent on tourism (Melubo & Carr, 2019; Melubo & Lovelock, 2019). Cultural heritage sites containing bomas refer to villages that are similar to those established in the Ngorongoro Conservation Area by the Maasai (known in Kenya as manyattas), which resemble the traditional Maasai homesteads with houses made of sticks, mud, cow dung and roofs thatched with grass, surrounded by cattle fences. The heritage sites containing bomas have houses of different shapes but are similar to traditional ones, although different from today's Maasai homesteads.

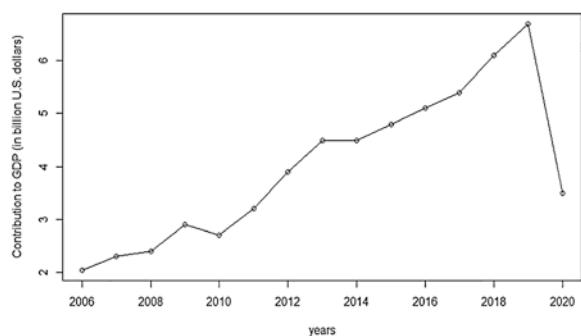
As detailed below, members of the boma cultural heritage sites are engaged in selling handicrafts and giving cultural performances, including dancing and singing, as a source of income from tourists. In this regard, the case study used archival and secondary information from authoritative sources and key informants interviewed in open discussion. The findings show that the impact of the Covid-19 pandemic disrupted business at cultural heritage sites, whereby billions of dollars were lost due to tourists cancelling their trips, similarly to what Kideghesho et al. (2021) found. Covid-19 has negatively impacted the income of cultural heritage communities, particularly women, who benefited from tourists purchasing their handicraft products, which had improved their economic status before the outbreak of Covid-19 (Melubo & Carr, 2019).

We are aware that, amid Covid-19, scholars have directed their community efforts towards tourist destinations, reporting that tourists would have drastically reduced or even stopped their visits and others would have cancelled their journey. In Ngorongoro Conservation Area, the community had multiple sources of income for their livelihood, including income from cultural dances. In the bomas' compound, the Maasai typically display their cultural handicrafts, including necklaces and bracelets made from beads, and traditional performances like dancing and singing in front of tourists, who then offer or give money in return for the entertainment (Figs. 12.2, 12.5, 12.6). Community members at cultural heritage sites also get a share of the car entrance fee, campsite guide fees and walking safari. Prior to Covid-19, the benefits shared by communities at heritage sites containing bomas and the NCAA that were generated by the community were acknowledged as a powerful tool for increasing community participation and the protection of natural resources in conservation areas. Among the benefits generated at boma sites and



**Fig. 12.2** Maasai cultural dancing around the bomas in the pseudo-Maasai Village at Ngorongoro Conservation Area (2022). (Source: <http://ukarimu-tz.blogspot.com/2016/04/information-about-maasai-cultural-bomas.html>)

**Fig. 12.3** Contribution of tourism to GDP in Tanzania

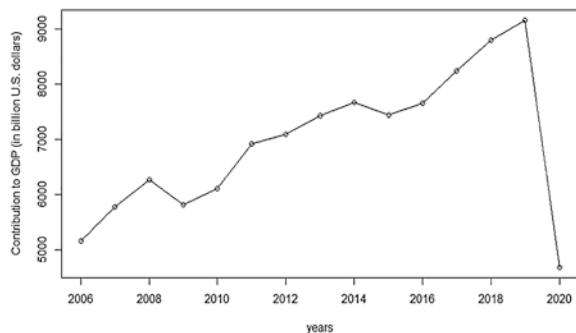


shared with the NCAA is the entrance fee charged for each car, which is 20,000 TZ (about 9 USD). Communities at heritage sites also earn 50% of walking safari and campsite guide fees, which are also shared with the NCAA.

### ***Impact of Covid-19 on Revenue Generated from Cultural-Related Activities at the Bomas***

Because Covid-19 has drastically impacted the income and well-being of the Maasai community, scholars need to investigate this. The loss of revenue from tourists at cultural sites containing bomas was revealed through interviews with key stakeholders at these sites in Ngorongoro Conservation Area, and their response was as follows. *We experienced a loss of revenue caused by tourist cancellations in 2020, whereby boma-related activities (selling handicrafts like necklaces and bracelets made from beads) received zero revenue from tourist visits (boma cultural sites supervisor).* This reflected the impact of Covid-19 on the tourist industry in the country and worldwide (see Figs. 12.3 and 12.4).

**Fig. 12.4** Contribution of tourism to GDP worldwide. The total contribution of travel and tourism to gross domestic product (GDP) in Tanzania and worldwide from 2006 to 2020. (Source: <https://www.statista.com/statistics/311575/inbound-visitor-growth-the-middle-east/>)



**Fig. 12.5** Boma cultural heritage indicating the handicrafts being presented to the tourists. (Source: Ngorongoro Conservation Area Authority)

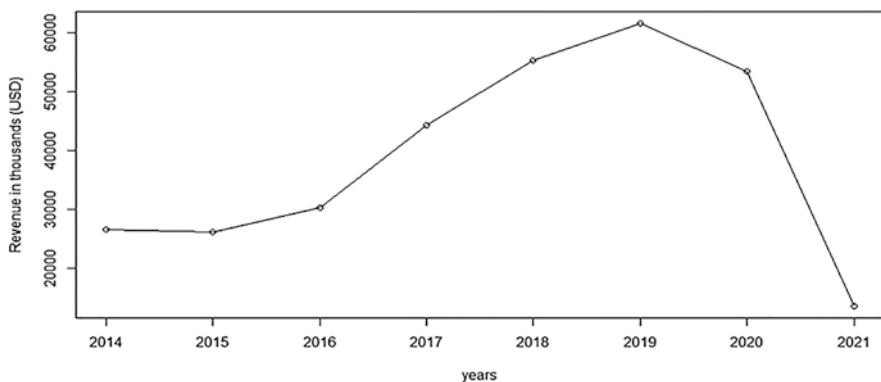
The experience of zero income from tourists amid Covid-19 affected the community in the Ngorongoro Conservation Area, which meant that they had to be more creative to ensure they could keep their income flowing as it did before the Covid-19 outbreak. One respondent explained:

*At the time of Covid-19, we experienced a terrible impact on our handicraft business. As a survival strategy, we decided that half of our members would stay at the site for a month in the hope that some tourists might visit it, while the other half went back to their villages and returned after a month, and then the first half went home. Note that there are around 54 members at each boma heritage site (Lendukay kimay).*

Disrupted income from being unable to operate the handicraft business posed a challenge to the community as to how to allocate their scarce resources if a similar situation was to occur. Therefore, these individuals are forced to revise their motives, perceptions, awareness and knowledge of heritage tourism opportunities (Figs. 12.5, 12.6, and 12.7).



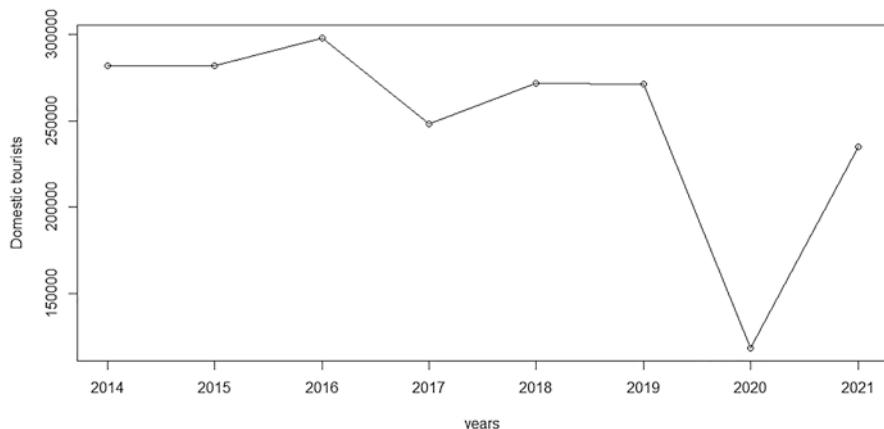
**Fig. 12.6** Community involvement in selling handicrafts at cultural heritage sites containing bomas. (Source: Ngorongoro Conservation Area Authority)



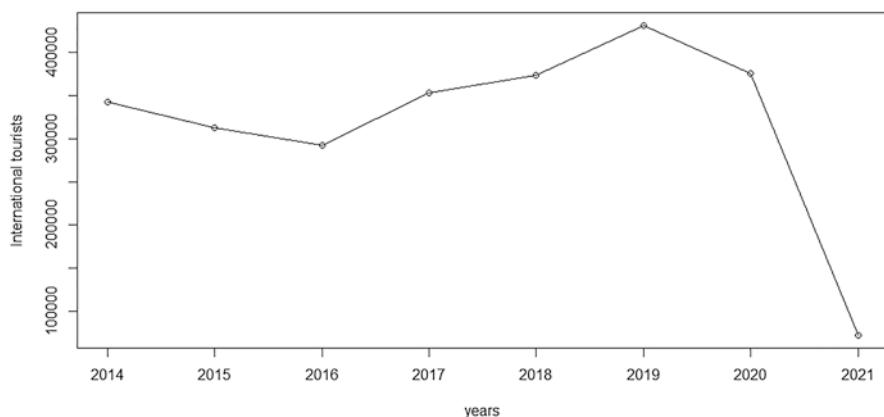
**Fig. 12.7** International and domestic revenue from 2014 to 2021 at Ngorongoro Conservation Area. (Source: Ngorongoro Conservation Area Authority)

### *Adapting to the Covid-19 Pandemic at Ngorongoro: The Case of Tanzania*

At several heritage sites in Tanzania, revenue from tourists has dropped significantly since the Covid-19 outbreak in 2020. The value of material such as cultural heritage that attracts tourists to visit for leisure and education has changed, and devising various strategies to restore their confidence has been a challenge in many countries that depend on tourism. Regarding the case study in Ngorongoro Conservation Area, officials there have reported that they have developed and introduced a technological innovation model that enables people to view wild animals in the Conservation Area via social media, which has attracted many local tourists. Social media, including national television with a specific channel, have been used to display wild animals in their natural setting.



**Fig. 12.8** Total number of domestic tourists at Ngorongoro Conservation Area between 2014 and 2021. (Source: Ngorongoro Conservation Area Authority)



**Fig. 12.9** Total number of international tourists at Ngorongoro Conservation Area between 2014 and 2021. (Source: Ngorongoro Conservation Area Authority)

This innovative strategy was put in place in 2020 as a survival mechanism and operationalised when the Conservation Area had been receiving few tourists and thus had a tighter budget. As a result of this innovation, there was a significantly greater number of domestic tourists (Fig. 12.8) than that international tourists (Fig. 12.9) in 2020/2021. However, experience suggests that during a crisis like Covid-19, there needs to be a strategic plan to ensure the livelihoods of the community residing in cultural heritage sites whose income depends on selling handicrafts to tourists. This was not the case for the community living in a heritage site containing bomas, as their livelihood depends on craftsmanship and information provided by the custodian of the cultural heritage site. Since the NCAA has developed a technological model that was used to attract many domestic tourists to

Ngorongoro Conservation Area, the experts would need to apply it to the handicraft business to accommodate the diverse livelihood needs of the community involved in heritage sites and attract those who are not involved.

The move away from the business-as-usual approach (or the traditional way of selling cultural-related items) and the adoption of a new way of selling them, which had not been done before, was brought about by the Covid-19 pandemic, which promoted an advancement in thinking that led to a new way of attracting tourists. It should be noted that operationalising this innovation required agility and great efforts to attract international and domestic tourists.

## Discussion and Questions

In line with the institutional arrangements theory, individuals' behaviour is likely to influence cultural and traditional practices (North, 1990; Badola et al., 2018). When a crisis such as Covid-19 occurs, it has been acknowledged that institutional arrangements positively influence the behaviour, attitudes and social ties that support and control heritage sites as valuable resources in terms of benefits from the handicraft business and other benefits the heritage offers, which include those generated by the community and shared with the NCAA. However, there is evidence that individuals involved in and dependent on heritage sites for their livelihoods have had their incomes negatively impacted by Covid-19, particularly women who are known as artisans (UNWTO, 2021; Naramski et al., 2022). Regarding the cultural heritage in the case study, we are aware that the Ngorongoro Conservation Area is administered by the NCAA on behalf of the Ministry of Natural Resources and Tourism of Tanzania, which works with the Netherlands Development Organization (SNV). It should be noted that if the management is reluctant to find critical solutions to problems that may occur at cultural heritage sites, small events could potentially have a major negative impact on them. If the management were to foster the community's creativity and involvement in decision-making, this could lead to the heritage sites performing better and supporting the sustainability of the livelihoods of the community resident in the Conservation Area.

The direct and indirect role of the community in causing cultural heritage sites to perform better can easily be determined by institutional arrangements, which provide incentives in such a way that they can be shared among different stakeholders, thereby motivating them to govern and control cultural heritage activities at the sites. Based on SET, several studies have highlighted that the social exchange approach to the livelihoods of individuals has enhanced the exchange of benefits between authorities, firms and/or communities (e.g. Cortez & Johnston, 2020; Cropanzano & Mitchell, 2005; Lee & Cadogan, 2009).

The revenue from tourists and their number shown in Figs. 12.7, 12.8 and 12.9 give an insight into the social exchanges that have taken place in the Ngorongoro Conservation Area and the heritage sites containing bomas amid Covid-19 through the application of SET. In this respect, SET highlighted how tourists behave when unexpected events occur, why they do so and whether this impacts the community

and national level revenue (as shown in Figs. 12.3 and 12.4). Consequently, we encourage students to apply SET and recommend the potential factors influencing tourist visits to and community involvement in cultural heritage sites and decision-making by the community to ensure that these sites perform well when unexpected events or crises occur by considering the following questions.

1. According to SET, what insights do Figs. 12.8 and 12.9 provide? Applying the SET assumption, why do you think there was a greater number of domestic tourists in 2021 than that of international tourists? What approach did the NCAA management use to increase the number of domestic tourists (Fig. 12.8) compared with the number of international tourists? Why did the revenue generated by international and domestic tourists keep declining regardless of the increase in domestic tourists in 2021?
2. Is the selected heritage site of Ngorongoro Conservation Area based on SET still attractive for community participation and investment in heritage sites amid Covid-19?
3. By applying the institutional arrangements theory, can you describe the main factors that could significantly influence the community to enter and take control of the cultural heritage post-Covid-19?
4. According to SET, provide a detailed argument on how the Maasai bomas in the Ngorongoro Conservation Area can continue to attract tourists and explain what attributes of the cultural heritage that encompasses bomas influence local and international tourists to visit them.
5. Referring to Fig. 12.8, SET and institutional arrangements, in what ways could the community around heritage sites continue to benefit from them even amid a crisis like Covid-19?
6. In addition to question 5, why have you proposed such ways? Would your answer maintain the number of domestic tourists in the area studied and elsewhere? Can you revisit the following question—what is your goal when targeting students, postgraduates and tourism stakeholders?
7. What tactics should the boma heritage managers use in partnership with the NCAA to keep the heritage alive through sustainable business practices? Why did this case study adopt the institutional arrangements theory and SET to encourage reluctant management to institute better practices?

## ***Research Activities***

It is evident that the sustainability of the cultural heritage in the Ngorongoro Conservation Area can be affected by resources such as human capital, money and time, which are often limited.

Having a technologically innovative system to improve the performance of the cultural heritage, which requires different actors to be involved in making decisions (Kulindwa et al., 2018), is crucial for making tourist destinations attractive. However, even if such a system was offered without charge, the lack of human

resources could hamper its adoption and implementation because the majority of the population surrounding conservation areas have little managerial, business and entrepreneurial skills, leading to a dependency on donor funds or shares from the conservation authorities. If such support is not offered, it could affect the survival of the population surrounding cultural heritage sites, especially when a crisis like Covid-19 hits them. Describe how members at the heritage facility are likely to be affected by the management's decisions and actions. Give details on what other actions or strategies you believe the management of cultural heritage sites could consider that would lead to sustainable revenue generation at heritage sites.

## ***Management Plan***

Suppose you are tasked to assess the current tourist situation at the cultural heritage sites in the Ngorongoro Conservation Area. You are required to design a management plan for operating the cultural heritage containing bomas, which includes effectively allocating resources, training staff to operationalise a digitally-enabled system, digitally engaging domestic and international tourists, analysing the system's limitations that would enable well-informed decision-making and acting suitably. It also involves coaching employees to be resilient to the existing situation and changing their mindset so that they may be able to think accordingly and change their focus.

## **Conclusion**

Where there are multiple utilities, the share of income distributed to the community, its heterogeneity in terms of socio-economic characteristics and lack of agility and creativity amid the outbreak of a pandemic, as well as climate factors, are likely to pose significant challenges to the effective operation of cultural heritage sites. This case study highlighted two main theories that students should apply when attempting to manage and operationalise the two critical strategies that could be used to improve cultural heritage sites' current and future performance in relation to the tourist industry.

## **Teaching Note**

### ***Case Summary***

The cultural heritage, including the bomas in heritage sites, is increasingly becoming a critical component of the tourist industry, as regards hospitality and business and the livelihoods of tourism-dependent households (Melubo & Carr, 2019;

Melubo & Lovelock, 2019). Community involvement in cultural heritage sites is important in encouraging tourist visits and contributes to conserving natural resources. Heritage sites containing bomas are used as a case study to encourage the exploration of cultural heritage areas as potential tourist destinations. The community involved in cultural heritage recognised the importance of tourists visiting bomas at the cultural heritage site for various reasons, such as recreational and educational, as well as buying traditional handicrafts like necklaces and bracelets made from beads. This case study aims to reveal the benefits communities surrounding cultural heritage sites, conservation authorities and investors can derive from these sites. It encourages critical thinking and creative decision-making in students as they attempt the presented challenges and develop potential innovative solutions through SET and the theory of institutional arrangements.

Targeted marketing approaches that would attract tourists to visit cultural heritage sites as a destination need to be encouraged. Rethinking the best approaches that could significantly influence the community to be involved in conserving cultural heritage sites is likely to positively impact today and even in times of crisis such as the Covid-19 pandemic. Students with knowledge of the tourist industry are asked to identify the benefits that the community, investors and tourists are likely to obtain even in times of crisis like Covid-19. By applying the two theories used in this case study, students are encouraged to find out what technology would be needed to attract domestic and international tourists during and after a crisis. While some scholars are trying to find the best technology for ensuring the resilience of the cultural heritage in times of crisis, others perceive things differently as they continue to support the status quo, believing that the situation will return to normal as it was before. However, those with innovative ideas see a crisis like Covid-19 as a catalyst for change and transformation that could impact tourism, as they could act as influential players in applying new approaches to making tourist sites attractive as opposed to “business as usual” (Sigala, 2021). The academic debate could influence the development of the tourist industry, so it is very important to encourage students to develop tactics and propose approaches that cultural heritage managers could use to improve their business relationships with the tourist industry. Consequently, students should apply SET and the theory of institutional arrangements better to understand the community’s involvement in cultural heritage sites and make recommendations to improve the tourist industry even if pandemic situations arise in the future.

## ***Teaching and Learning Objectives***

1. *Based on SET, identify the tangible and intangible benefits that the community and investors receive at the selected cultural heritage site in the Ngorongoro Conservation Area and provide insights into whether the cultural sites are still attractive for community involvement and investment amid Covid-19.*

2. Identify the characteristics of the Maasai bomas in the Ngorongoro Conservation Area that may continue to attract local and international tourists even amid a crisis like Covid-19.
3. Determine the approaches that could be used to enhance functions and activities at heritage sites with bomas.
4. Based on the findings in Fig. 12.8, identify the benefits of an appropriate approach that could make the cultural heritage sites in the Ngorongoro Conservation Area more attractive to tourists. Explain how the identified ways or approaches could significantly increase or sustain the number of domestic tourists in the studied area and elsewhere.

## ***Target Audience***

This case study is aimed at undergraduate and postgraduate students and is also suitable for tourism stakeholders due to what is actually happening at cultural heritage sites. The case highlights how cultural heritage sites suffered in terms of the drop in visitors due to a crisis that greatly impacted the tourist industry. It encourages learners to develop strategies aimed at protecting the livelihoods of tourist-dependent communities in cultural heritage sites. In particular, students are encouraged to develop strategies to reveal gaps in knowledge concerning how cultural heritage sites are managed. By employing effective operational tools, students can demonstrate how the community around cultural heritage sites can continue to benefit even amid a crisis such as Covid-19. Students are likely to exercise operational management skills, academic competencies and critical thinking in resolving problems that affected the tourist industry during the pandemic. Annual reports and economic analyses of heritage sites in the tourism industry could give students an opportunity to reflect on what reports have been suggested or recommended to improve the cultural heritage sites.

## ***Teaching Approach***

It is suggested that learning from a case study is separated into three sections.

The first section can shed light on two concepts discussed in the case study. Firstly, emphasise the benefits that would encourage community involvement in the cultural heritage sites containing bomas in the Ngorongoro Conservation Area. Next, emphasise the application of theories that determine what factors would influence the community to participate and tourists to visit the cultural heritage sites during and after Covid-19. More importantly, discuss why bomas are, as part of the cultural heritage, important, and what factors could potentially challenge them during and after Covid-19.

The second section can look at the nature, value and profile of the cultural heritage sites containing bomas, which may require students to consider the best approach to making them continue to attract tourists. Students should be able to identify attributes of cultural heritage sites that could influence tourists locally and internationally. Students are also required to learn what types of businesses attract tourists to cultural heritage sites containing bomas and problems emanating from the institutional arrangements there. The students' investigations and observations should lead to recommendations from the findings for the annual report and economic analysis of the cultural heritage containing bomas in relation to tourism, which could enrich the overall analysis of cultural heritage sites.

The third section can involve the students analysing and interpreting the findings in the figures presented in the case study. They will need to interpret and discuss the insights from the theories used in this case study. Students are recommended to develop and design strategies for making the cultural heritage sustainable in terms of attracting tourists, regardless of an unexpected crisis.

Consider examples of answers to questions to be given to individual students or groups for discussion:

- 1. *What insight do Figs. 12.8 and 12.9 provide? Applying the SET assumption, why do you think the number of domestic tourists was greater in 2021 than that of international tourists?***

Based on Figs. 12.8 and 12.9, the results imply that although the benefits to domestic tourists are intangible, innovative practices that encourage local people to view wildlife via social media significantly increased the number of domestic tourists (Fig. 12.8) compared with the number of international tourists (Fig. 12.9). Based on the institutional arrangements theory, the management of cultural heritage sites in the Ngorongoro Conservation Area targeted local tourists as its intervention.

- 2. *Why did the revenue from domestic and international tourists visiting the Ngorongoro Conservation Area (Fig. 12.7) continue to decline despite the increase in the number of domestic tourists in 2021?***

In line with SET, the results show that changes in the number of domestic tourists were not significant enough to offset the changes in the revenue generated by both international and domestic tourists.

In the case of the cultural heritage sites in Ngorongoro Conservation Area, the handicrafts business is likely to be helped by the community being involved in them, as well as providing tangible and intangible benefits to tourists visiting the bomas in cultural heritage sites. SET assumes that individuals, say tourists, are likely to be attracted to tangible and intangible activities like making handicrafts at heritage sites in Ngorongoro Conservation Area when the costs are less than the benefits. Students designing technological strategies for attracting tourists could have a significant effect even in times of crisis. Students applying SET could design a technological method for marketing the site, further supporting the community's involvement in heritage sites and increasing the number of tourists visiting them.

**3. Is the selected heritage site in Ngorongoro Conservation Area based on SET still attractive for community involvement and investment in heritage sites amid Covid-19?**

Considering SET's assumption that individuals are likely to engage in an activity when its benefits outweigh the costs. It should be noted that while the community involved in cultural heritage in Ngorongoro Conservation Area chose to return to their villages of origin amid Covid-19, half remained at the site, hoping that some tourists would visit it. This implies that the heritage site provides an attractive business in that the benefits outweigh the costs.

**4. By applying the institutional arrangements theory, can you describe the main factors that could significantly influence the community to enter and control the cultural heritage post-Covid-19?**

According to Borrini-Feyerabend, community involvement is influenced by institutional arrangements that enable members to be aware of the benefits they can derive. Selman (2004) contends that community involvement can be passive as regards the activities people can engage in through the authorities. Knowing about factors, such as the types of business that yield high profits, the technology used to overcome the effects of Covid-19, marketing opportunities and the share of benefits due to environmental conservation and protection, is important for community involvement in, and control of, cultural heritage sites.

**5. According to SET, provide detailed arguments on how the important Maasai bomas in Ngorongoro Conservation Area can continue to attract local and international tourists. What are their attributes?**

Based on SET, students should argue in line with the activities offered at the Maasai bomas. As previously outlined, they display handicrafts, such as necklaces and bracelets made from beads, perform traditional dances in front of tourists and sing songs in exchange for money that tourists offer for entertainment. Students need to consider using the case study to learn about the attributes of cultural bomas that attract tourists to the Ngorongoro Conservation Area, including unique traditions and ceremonies and providing a market for cultural commodities. Maasai bomas have livestock and are constructed using traditional materials and dung, which gives tourists an insight into the lives of the Maasai. The Maasai dress in beaded necklaces and earrings at the bomas. The attributes outlined above have been acknowledged to attract both local and international tourists.

**6. (a) Referring to Fig. 12.8, SET and institutional arrangements, what are the best ways the community around cultural heritage sites can continue to benefit even amid a crisis like Covid-19?**

**(b) In addition to question 5, why have you proposed such ways? The answer should refer to maintaining the number of domestic tourists in the areas studied and elsewhere. Can you revisit the following question—what is your goal when targeting students, postgraduates and tourism stakeholders?**

Applying the institutional arrangements theory as a set of accepted approaches and practices in a society enhances negotiation between the community involved in heritage sites and the authorities, which can help both parties to work together and agree to adopt a new way of selling cultural-related items that were impacted

by Covid-19 and as a stimulant to innovation that would attract tourists. It should be noted that this innovation required agility to operationalise it. Consider the innovation done in Ngorongoro Conservation Area, as mentioned earlier in this case study, whereby wild animals are viewed through social media and a national TV channel to attract international and domestic tourists. Based on the institutional arrangements between the community and the authorities at heritage sites, it is likely that tourists can choose between visiting heritage sites or not, depending on whether the innovation and strategy used significantly benefit tourists, and so SET could be applied. This case study is targeted at students to encourage them to develop innovative approaches and strategies that could reveal knowledge gaps concerning the management of cultural heritage sites. Several reports have acknowledged that tourists are the main alternative source of income for the Maasai involved in cultural heritage sites. Targeting tourists means providing significant income for the community in heritage sites.

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# Chapter 13

## Sustainable Tourism Development: The Challenges of Small Businesses in a Shadow Destination



Anna Sörensson, Annika Cawthorn, and Ulrich Schmudde

### Introduction

Tourism development is a field that researchers have studied for decades (Saarinen et al., 2017; Shen et al., 2018). Kladou et al. (2017) have discussed the complexity of tourism development, irrespective of whether the tourist location is a country, city or smaller locale. Tourists visit different destinations and perceive certain locations as a ‘destination’. Places situated near high-profile and nature-based tourism attractions have received little attention from researchers. Hudman and Jackson (2003) have argued that the ‘shadow effect’ pertains to destinations near popular attractions. The concept comes from the geographic effect known as a ‘rain shadow’. Some localities receive less rain because the precipitation is diverted by mountains or wind patterns. The concept of shadow destination was briefly mentioned by Hall (2005) and Flognfeldt (2007), but it was first empirically applied to a city (Pisa, Italy) by Brambini and Vang in 2013. Pisa, a smaller Italian city, is a useful example since it stands in the shadow of Florence’s well-known and famous Italian city (Brambini & Vang, 2013). Thus, one destination is able to be in the shadow of another destination, which is the preferred destination (Schmudde & Sörensson,

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2020). Because tourists are close to the preferred destination, they will also visit the shadow destinations but stay for less time (Hudman & Jackson, 2003).

Tourists who visit nature-based attractions might also want to experience other things nearby. There is also the complexity of different tourist segments that might look for different experiences at the destination. Tourists often see a destination as one unit since it is a complex network involving many actors (Haugland et al., 2011). A destination can also be hard to determine geographically. Where does a destination start and finish, particularly in the mind of the tourists? The importance of treating the destination as a unit has resulted in a large amount of research focusing on issues related to destination development (Haugland et al., 2011). Moreover, the definition of a ‘destination’ also varies based on different perspectives. Two major viewpoints are relevant. First, some researchers have defined a destination as a geographical area that a tourist (or tourist segment) selects as a travel destination (Schuler, 2014; Beritelli et al., 2013; Schmude et al., 2010). It contains all the necessary facilities for a stay, such as accommodation, meals, entertainment and activities. Therefore, it is the competitive unit in incoming tourism, which must be managed as a strategic business unit (Fontanari & Scherhag, 2013). Second, researchers have also defined destinations as delimited areas with a tourist infrastructure known as travel destinations (Dreyer, 2004). A destination can only be regarded as such if potential travellers recognise it as a coherent travel area. One potential solution is to provide tourism information about, for instance, the destinations, different attractions and businesses.

The role of networks plays an important role for destinations. Shadow destinations require an adequate network in order to become competitive (Brambini & Vang, 2013). Formal networks often exist through destination management organisations (DMOs). DMOs are formal networks of various stakeholders within an area or a region to promote and market the destination’s image and attractions to potential visitors and tourists (Atorough, & Martin, 2012; Buhalis, 2000). Such networks positively impact destinations’ competitiveness and increase local development, especially in the marketing and branding of places (Atorough & Martin, 2012). While previous research has focused on the role of DMOs, it has not examined the diverse possibilities where collaboration can occur at one destination or between destinations and this often simultaneously by being less formal (Fyall et al., 2012).

The importance of the destination’s brand in the tourists’ minds may play a key role. The brand consists of different aspects that must be considered when creating a destination brand, which is often defined as brand capital. Brand capital creates value differently. The most important components of building a strong brand are as follows: (1) brand awareness, (2) brand loyalty, (3) perceived quality and (4) brand associations. Brand awareness refers to how strong a brand is in the tourist’s mind (Aaker, 2010). A recall is a concept that comes up in the discussion of brand awareness, which means that the consumer thinks of a specific brand when a certain product class is mentioned. Brand loyalty is how loyal the tourist is to a brand, which shows how the value of the company’s brand. Furthermore, the experienced acts as the quality of how the tourist experiences the destination. The perceived quality and the tourist’s perception of the brand are related. If the perceived quality

improves, the brand's perception by the tourist will also improve. Finally, brand associations are what the tourists associate with the brand, in other words, what the consumer thinks of when they hear or see the brand (Aaker, 2010). While shadow destinations are part of a greater brand (in this case, Åre), they must also consider their own brand as a shadow destination.

## The Shadow Destination of Duved: Dilemmas for the Destination

This case study of a shadow destination focuses on a small village called Duved, which stands in the shadow of Åre, a famous and popular ski resort in the centre of Sweden (Fig. 13.1). The shadow destination is located 8 km west of the main destination. Duved is a village in the Åre municipality in western Jämtland, located at the foot of Mullfjället, next to Åreskutan. It is a community located just outside Sweden's largest ski resort, Åre. Duved is one of three different ski areas in Åre. It is located west of Åre. The shadow destination Duved offers a calmer, family-oriented pace, with slopes that are long, wide and well pisted. The slopes are connected to Tegefjäll, a nearby ski area between Duved and Åre with no village centre.

**Fig. 13.1** Map over Sweden and Duved



Duved and Tegefjäll form a joint ski system that is not connected to the main resort Åre, which can only be reached by car or a free ski bus. The Duved-Tegefjäll joint ski system offers two sit lifts, eight lifts, both t-bars and button lifts. It has 20 prepared slopes and offers night skiing with floodlights, one children's activity run and an off-piste run within the ski system.

Duved has a well-pisted cross-country area with several prepared tracks. There are five prepared tracks that are 2.5 km, 5 km, 10 km, 15 km and 7 km in length. Duved has a train station and ski buses with fast connections to central Åre. Since 2011, the population has increased. Today, Duved and the surrounding area have approximately 1800 inhabitants, half of whom live in the central parts. Duved is a living village with mixed housing and plentiful opportunities for an outdoor and social lifestyle. There are also schools, shops, restaurants and a sports hall in the local community. The local school caters from preschool to year nine and holds about 800 pupils. In Duved, skiing and holiday cottage rentals in a more traditional style are available rather than the fashionable and high trendy standards found at the main resort in Åre. The ski slopes are within easy walking distance, and hiking, fishing and kayaking are offered in the summer. The tourists who visit Duved tend to be families and those who prefer quiet activities, such as cross-country skiing and fishing. The river Indalsälven runs past the village and is called Duvedsälven. Duvedsälven is popular for trout fishing during the summer. A fishing pass is required to fish in the Duved river, which can be bought at Outdoor Hub or online. Between September first to October 15th, fishing on the river is not permitted due to roaming fish. Ice fishing on the river is possible between January first and April 31st. To find out more about fishing, one can visit fiskekort.se. The tourists drawn to Duved are not interested in trendy, expensive ski equipment or extreme activities. The tourists can be described as more traditional tourists. This type of tourist is often interested in tourist attractions of a calmer nature and often seeks information about where to find the hidden, less visited tourist attractions around the Duved area (Fig. 13.2).

The COVID-19 pandemic has led to an increasing number of visitors to the famous Swedish winter destination due to travel restrictions abroad. Tourists who usually travel to the Alps have chosen to travel within the country instead. Furthermore, the winter destination has expanded to include a vast number of summer holidaymakers in the ski resorts during the last 2 years due to pandemic travel restrictions. While the pandemic initially hit the skiing destinations hard, the mountain destinations have managed better than other holiday destinations just over a year after the outbreak (JH Tourism, 2022). For the last several years, the ski resort of Åre and its shadow destination Duved have become all-year holiday locations. This is due to a general trend linked to outdoor life and activities (further strengthened by the pandemic) in combination with the fact that Norway and the Alps have not been available for skiing and outdoor activities such as hiking and biking. The all-year growth has led to an increase in the number of visitors to the destination during all seasons. Another factor is that during the pandemic, the possibility for remote working has increased the population of both the Åre ski resort and the shadow resorts like Duved. The local school and Åre municipality have had a great



**Fig. 13.2** Ski area of Duved. (Author's own Sörensson, 2024)

challenge with infrastructures such as school buses, classrooms and class sizes. This migration of Swedish citizens from the south of Sweden to their holiday homes has been a trend during the pandemic. The hope is that this positive trend will continue even after the pandemic. Thus, the companies at the destination wonder how they can help maintain the interest in visiting national all-year adventure destinations and cater to their new inhabitants. Adventure destinations refer to places where companies offer gadgets and equipment for outdoor and extreme sports activities all year round.

### **The Case of Outdoor Hub in Duved: Dilemmas for the Company**

Outdoor Hub is a company in Duved that specialises in selling ski products and clothes. It also rents out ski equipment during the winter season. During the summer season, Outdoor Hub rents out fishing equipment and boats. It also offers fishing guidance and fishing classes. Outdoor Hub changed owners about a year ago and is now owned by a couple in their 30s and has four employees during the tourist seasons. One of the owners worked there for 5 years before taking over the business. Outdoor Hub is located in the middle of the village of Duved, so it is geographically well located for tourists to pass its store. There are other shops, restaurants and accommodation facilities nearby. Many of the customers renting equipment or

buying products are tourists with rental accommodations in Duved. This shows already that a network between the companies could exist on-site due to customers' well-being preferences.

At the same time, a challenge for the company is that they do not have a clear customer segment. This is because they target different target groups, such as ski tourists (both alpine and cross-country) during the winter and fishing tourists during the summer. In the winter, most competitors are on the market for ski rental in the alpine. The largest competitor is the lift company, which sells lift passes and accommodations as a package deal. The lift company is a publicly listed company. Other smaller competitors are geographically located in different places within the destination. There are several ski rentals inside the central village of Åre and a larger competitor located just off the road east of Åre. Many tourists find the ski rentals situated by the main road on the way to the destination an easier and more accessible option for ski rental.

In terms of price, Outdoor Hub keeps its prices in the lower range in order to be able to compete. The other ski rentals cater towards middle-class tourists, the largest segment today. The company's main competitor for cross-country rental equipment is located in the Björnen sub-area; however, the owners have also realised the pros of collaborating with Björnen Ski Centre. As Björnen Ski Centre has become well used, the tourists find the cross-country tracks a bit overcrowded and are prepared to travel the distance to find tracks that suit them. Outdoor Hub's target group is mostly cross-country skiers with the company's requirements for competence and service. Additional target groups include the touring skier wanting to rent wider cross-country skis and those interested in top touring. These three target groups are a natural niche that turns 'away' from Åre's alpine focus.

There are several challenges that Outdoor Hub must navigate to further develop its business. The company is considering whether it should expand into new business areas. The owners are deciding whether they should invest in hunting (e.g. products, guiding and rentals) and maintain their customers to return in other parts of the year. The company further believes that the largest focus today is on alpine ski equipment, and they have considered whether to buy other products.

Outdoor Hub has a website, Facebook page and Instagram. There are no posts to any great extent right now (mainly due to lack of time). Entrepreneurs have wondered whether tourists turn to companies' social media and websites for information about available activities. It is both about providing information about what the company provides and concrete offers to customers.

The municipality of Åre has decided to close the traditional tourist office in central Åre. The idea is to instead provide information to tourists at various info points. Outdoor Hub has been selected as an info point by the municipality, which has resulted in more time for personnel to help with this service without receiving monetary help from the municipality. The store estimates that it has taken one personnel 50% just answering questions throughout the whole year. On the one hand, more tourists will enter the store and hopefully buy something. On the other hand, providing that extra service takes time. Outdoor Hub has considered the advantages and disadvantages of developing the store with tourist information and whether it should

continue to do so. What are the advantages and disadvantages of setting up the store as an info point? A natural connection to tourist agency activities exists today when they sell fishing licences to tourists.

## Discussion

A challenge that the shadow destination Duved faces is that they are on the outskirts of the main destination. Åre has a stronger brand and higher level of attractiveness as a destination. Therefore, one challenge is facilitating cooperation between other tourist actors inside the central village of Åre and those in Duved and other smaller communities outside Åre (i.e. those in the shadows). Companies can either see each other as competitors or as potential collaborators. The difficulty lies in how these collaborations are created to develop a long-term sustainable tourist destination that different types of tourist segments want to visit.

- Is it possible for Duved to develop its own brand as well as one in relation to and in collaboration with Åre? It is difficult for companies in a shadow destination to create their own value for their segment and become an attractive destination that the tourist consciously chooses to visit.
- How can Outdoor Hub create such value?
- What are the segments that the company should focus on to satisfy customers?
- How can it benefit from being near a hotspot even though it is not located in the attractive part of the destination?
- What does Duved stand for as a brand, and how well does the brand coincide with what Outdoor Hub stands for?
- Outdoor Hub has a vision for its business which is ‘the obvious choice for cross-country skiing in the western side of Åre valley’. Nevertheless, are there other segments it should invest in?
- What different types of products should the company offer?

Outdoor Hub has been thinking about how to develop its store to encourage winter tourists to return in the summer. What would you recommend Outdoor Hub do to gain repeat customers that come during the different seasons? How can it encourage its tourists to return during another part of the season? During the pandemic, there was substantial pressure on the destination because national tourists were not allowed to travel abroad due to lockdowns and travel bans. How can the destination Duved, together with the Outdoor Hub, motivate tourists to return rather than travel to other destinations such as the Alps after the COVID-19 pandemic? It is positive that the destination has seen a growing number of tourists; at the same time, there must not be too many tourists. Otherwise, the tourists only remember waiting in line and the difficulty of finding parking during their holiday. Thus, the expansion of tourism is both positive and negative. Those tourists can swell from the main tourist destination to shadow destinations—how can they work together to grow and diversify the offer for the different segments?

## Questions for Discussion

- How do you think Outdoor Hub should develop its business in Duved (make sure to think about seasonality as well)?
- Which tourist segments do you think Outdoor Hub should focus on? Why?
- What would you recommend the company do to develop its marketing?
- What would you recommend that Outdoor Hub do to encourage tourists to come several times a year (during the different seasons)?
- What can Duved promote in its brand (both together with Åre and as its own destination)? What should it highlight for the tourists?
- What can Outdoor Hub do to create long-term relationships with its customers/tourists?
- What other stakeholders at the destination Duved can Outdoor Hub collaborate with to create added value for tourists?
- How can Outdoor Hub strengthen its brand?

When you discuss these questions above, please make sure to use a theoretical perspective on the topic.

## Teaching Note

### Case Summary

The case highlights the complex conditions tourism companies often face at a destination. Several challenges in the case partly concern the relationship between the shadow destination and the well-known destination and partly the challenges that face a small business at a destination. It is about belonging to a larger destination and offering products and services when there are several competitors at the destination. How should the company find its place at the destination based on its conditions? The case concerns collaboration with various actors, the roles different segments play and seasonal issues.

### Teaching and Learning Objectives

By the end of this case study, students should be able to accomplish the following:

1. *Analyse and identify how a small business in a shadow destination can develop its offering to customers.*
2. *Comprehend and understand the role that a brand plays in attracting tourists.*
3. *Evaluate the different marketing measures companies can take for their different customer segments.*

4. *Discuss the role played by tourist information for an individual company when the tourist office is closed down.*

## ***Target Audience***

The case is useful for various students at universities in tourism education. It is an advantage if the students have basic knowledge of marketing, such as what a segment is, how to reach customers, what marketing channels (including social media) are and how a company can create a value proposition for customers. It is beneficial if the students also know what characterises the tourism industry compared to traditional industries. The case is useful for courses in tourism development, marketing, brand development and destination development.

## ***Teaching Strategy and Activities***

The case can be used in group discussions where students are expected to analyse different conditions and suggest concrete solutions. The case could be used for both undergraduates and postgraduates. Depending on the student's level, the case can be used for discussion on several levels. For the postgraduate, the teacher could advise the students to use recent research articles to address the discussion questions. The case can also be used for home exams for students in tourism education at the university. Because the case focuses on different levels and sub-areas, the class can be divided into separate groups that must discuss different issues. For example, one student group could focus on the destination level, such as how the shadow destination should strengthen its collaboration with the known destination. Another student group could then focus on the company's issues, such as marketing, customer segments and collaborations with other actors at the destination.

## ***Analysis***

A suggested solution is that the store should find other stakeholders in the area to create a value offer together. It may be, for example, that when a tourist books accommodations in Duved, they can also directly book ski rental through the Outdoor Hub.

Building a brand in a shadow destination and the relationship to the stronger destination is an issue to discuss for the student. How should they cooperate in order to attract more guests? One solution may be to combine these areas into a larger destination in the tourists' minds through collaboration.

Another proposed solution is for the Outdoor Hub to become an info point for tourist information. The argument for this is that tourists automatically come to the store, providing opportunities for the company to attract spontaneous purchases and rent products.

Another suggested solution is for the company to offer a discount on ski rentals if the customer returns, for example, during the summer season. The idea is that the offer will attract the tourist to repurchase, particularly during another season.

### **Additional Reading or References**

More detailed information about the destinations of Åre and Duved can be found here: <https://www.skistar.com/en/ski-destinations/are/winter-in-are>  
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# Chapter 14

## Backwater Tourism and Houseboat Operations in Vembanad, Kerala: Competing Uses and Management Conflicts



Rutool Sharma and Ravi S. Sannabhadti

### Study Context: Kerala and Its Backwaters

With the “God’s own country” campaign, Kerala tourism linked the state with a concrete symbolic and emotional experience through a story (Kondur, 2021). Positioned on the southwestern tip of India, Kerala is blessed with several natural resources due to its location between the Arabian Sea in the west and the Western Ghats in the east. Kerala tourism attracting international and domestic tourists plays a significant role in the economy of the state by contributing to 10% of the GDP and providing employment to 1.5 million people in the state (Department of Tourism, 2018). Total revenue from tourism increased from Rs. 17,348 crores to Rs. 45,010 crores between 2010 and 2019. Foreign exchange earnings increased from Rs. 3797 crores to Rs. 10,271 crores during this period (Department of Tourism, 2010, 2019). Thus, owing to immense natural resources and strategic marketing, tourism has become Kerala’s major economic sector.

The Cochin backwater system (often quoted as the Vembanad Lake–Cochin Estuarine water body) is a large wetland ecosystem with over 24,000 ha, the largest backwater in Kerala state (Balachand et al., 2010). It stretches over 900 km of interconnected lakes, waterways, rivers, and lagoons; it is blessed with a distinct ecosystem because freshwater from rivers meets the Arabian Sea (Fig. 14.1).

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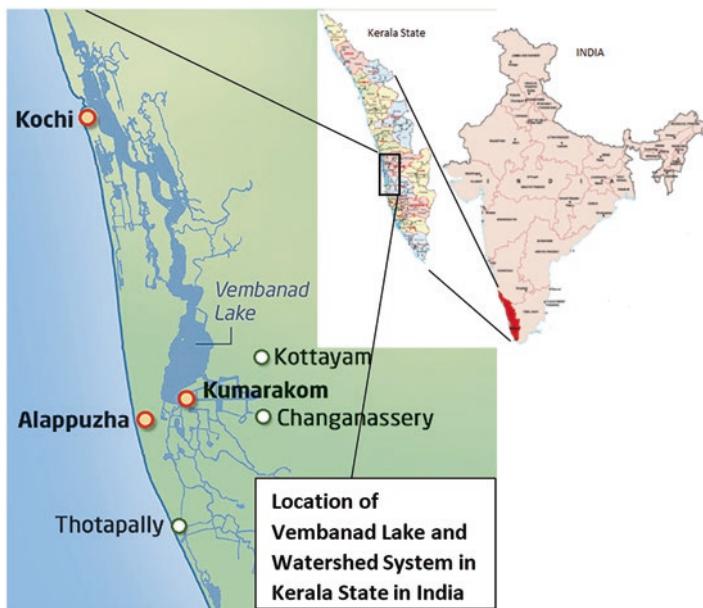
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**Fig. 14.1** Map showing location of Cochin backwater system, with Vembanad Lake and surroundings in Kerala, India. (Source: Generated by Authors Using Census of India 2011)

Many unique species of aquatic life, water birds, and animals live in the backwaters along with wide varieties of plants and trees, providing a green hue to the surrounding landscape (Sankalp India, 2009). The backwaters in Kerala consist of Alappuzha, Kottayam, Thiruvananthapuram, Kollam, Kuttanad, Kozhikode, Kasaragod, Kochi, and Kumarakom backwaters (Zacharias et al., 2008).

The backwater region offers a network of inland navigation systems providing economical transport and supporting livelihood activities. Fishing and agriculture are crucial livelihoods here. Backwaters provide suitable paddy and coconut cultivation conditions for household needs, export, and subsidiary livelihood activities (coir industry, artifacts, and food processing). Tourism promotion initiatives by the state government have made backwaters a central attraction point, thus expanding its use for conducting houseboat cruises. “*Kettuvallams*” (traditional boats), repurposed as houseboats to operate cruises on backwaters, are generally 60–100 feet long and 13 feet wide in the center. “*Kettuvallam*” is derived from two words, “kettu” (tied with ropes) and “vallam” (boat), which were traditionally made of locally sourced eco-friendly and locally sourced materials like bamboo, wood, coconut fiber ropes, etc. (Bhuvan, n.d.). Crisscrossed, palm-fringed lakes traversed with Chinese fishing nets are popular cruises, especially between Kollam and Alappuzha (Zacharias et al., 2008). Alappuzha (famous as “Venice of East”) is the heart of backwaters and a prominent tourist destination for houseboat cruises. Vembanad Lake, the longest backwater of Kerala, is located near Alappuzha. Hundreds of *kettuvallams* cruise on this lake every day. Mass tourism in the

ecologically fragile backwater region raises multidimensional (economic, sociocultural, and biophysical) impacts (Jose & Aithal, 2020). Due to its ecological importance, 151,250 ha of Vembanad Kol (a local term for wetland) was included under the Ramsar Convention on August 19, 2002. On the one hand, backwaters are traditionally important, while on the other hand, tourism development has shifted its focus to more modern purposes, thus creating new livelihood opportunities. Over the years, a variety of challenges have affected the backwaters and threatened its ecosystem, such as contamination from pesticides that farmers use in paddy fields; dumping of chemical emissions from factories; sewage from cities and unregulated sand dredging for construction; and, in recent decades, the tourism boom that has worsened water pollution (Borgen Project, 2020). Significant issues related to houseboat operation are lack of infrastructure, lack of proper licensing, lack of security, environmental issues, and absence of quality service (Jose & Aithal, 2020). The multiplicity of agencies involved in managing backwater assets has led to uncoordinated and unfruitful interventions to conserve backwaters.

Taking Vembanad backwaters as common property resource (CPR) example, this case documents issues that emerge due to multiple stakeholders (houseboat owners/operators, tourists, residents including fishermen and farmers, tourism-related public agencies, and other government departments like irrigation, revenue, local body, etc.) that are either dependent on it or are responsible for its conservation and management. It presents a situation widely known as the “tragedy of commons,” which has resulted in catastrophic outcomes due to competing claims on CPR between tourism and other livelihood activities. Overexploitation of backwaters has resulted in discrete actions impacting the environs of this natural system and may lead to a decline in tourism. Case study uses this unique socioeconomic environmental setting to raise questions related to “sustainable management of CPR” in the context of Elinor Ostrom’s eight principles to overcome the “tragedy of commons” and the idea of “responsible tourism.” The principles of integrated water resource management could also be used to analyze this case study.

## **Compromised Carrying Capacity of the Lake Due to Houseboat Operations**

The recent history of houseboat tourism and issues in the different periods is discussed.

### ***Pre-1980s: Before the Commencement of Houseboat Tourism***

The life of local people is very much linked to backwaters and changes with seasonal variations. Vembanad is located in an area having urban characteristics, touching Kochi in the northwest, Alappuzha in the southwest, Kottayam in the southeast,

and Kuttanad in the south. Kuttanad, known as the “rice bowl of Kerala,” constitutes flood plains of five rivers flowing into the lake. Paddy cultivation has occurred on reclaimed lake land for over a decade since 1912. As agriculture within reclaimed lands was impossible without regulation of flooding and salinity, the Thanneermukkom barrage (in 1965) was initiated across the Vembanad estuary to prevent salinity intrusion from the Kochi River mouth. This barrage has restricted the natural flow of seawater into the estuary, thus impacting its natural cleaning process. The Kuttanad Development Project (1972) proposed making the bunds permanent to ensure double cropping in 520 km<sup>2</sup>. With the adoption of intensive cultivation and the use of high-yielding seeds, the incidence of pests and diseases has increased, forcing farmers to use more pesticides resulting in high nutrient runoff into the lake. The Kerala Land Use Board estimated that area under paddy in Kuttanad reduced from 609 km<sup>2</sup> to 376 km<sup>2</sup> during 1963–2003, coupled with an increase in the area left fallow and converted for nonagricultural uses.

Houseboats in Kerala have been used for centuries for transporting people and goods. Oral accounts indicate that before the 1980s, these houseboats were primarily used to transport goods and lacked basic services to serve as residences. Rudimentary cooking facilities to cater to 2–3 boat operators existed, and the operators would stop at inland jetties for their daily needs. Hence, the environmental footprint of these nonmotorized boats was low.

In 1966, Kerala Tourism Development Corporation (KTDC), a public sector undertaking, was established to conduct tourism activities in Kerala (KTDC, 2019). However, the growth of tourism was minimal during this period.

### ***Post-1980 to Early 2000: Changing Use of Houseboats***

Post-1980s, Kerala tourism has had a global presence with tourists, especially from the UK, the USA, France, Germany, Saudi Arabia, and Australia (Department of Tourism, 2019). During interviews with key stakeholders, it is understood that there were only 20 houseboats when tourism got impetus after the 1980s. Later, due to marketing initiatives, Kerala prioritized and promoted houseboat tourism. The backwaters of Kerala are a unique product of the state and are found nowhere else in the world (Department of Tourism, 2019), leading to a shift in the use and design of traditional houseboats. These were transformed into full-fledged accommodation units (with 2–3 bedrooms, living room, kitchen, and toilet) and are marketed as “palaces on water.” Traditional boats were propelled using large bamboo poles; however, repurposed houseboats are motorized with 100 HP engines operated using kerosene/diesel and have generator sets for onboard air-conditioning and refrigeration systems. Other boats like shikaras and motorboats also operate in backwaters for short tourist excursions.

The Department of Tourism (established in 1995) is responsible for developing and promoting tourism. The Kerala Institute of Tourism and Travel Studies (established in 1988) caters to the workforce requirements of the tourism industry by

offering various courses and training in the field of travel and tourism (Department of Tourism, 2019). District Tourism Promotion Council (DTPC), set up for each district, assists travelers. Kerala Tourism Infrastructure Limited (KTIL), established in 1999, is meant for joint venture projects.

## ***2000–2017: Expansion of Houseboat Tourism and Increasing Environmental Concerns***

- Number of houseboats: Table 14.1 shows growth in the number of houseboats operating in four districts abutting backwaters. However, discussions with locals revealed that the actual number is more than double the registered numbers. There is no reliable and agreed-upon database of operational houseboats.  
A study estimated that the recreational boat carrying capacity of Vembanad Lake (considering optimal boat density as 50 acres per boat) is 130 boats and recommended that only this number should be allowed to operate in the lake at any given time (Rajan et al., 2011). However, due to the high demand for boats, during peak tourist season (October–February), the number of operational boats in the lake continues to rise. Houseboat owners mentioned that the entire cost of maintenance of houseboats for the whole year has to be recovered during peak occupancy months. Vacancy rates are relatively higher during nonpeak months, so most houseboat owners can barely break even to meet operational costs. Thus, houseboat owners try to maximize their gains by operating more boats during peak season.
- Management of houseboat operations: There have been many changes in processes for the registration and operation of houseboats. During 2000–2017, the controlling authority for houseboats' registration and consent operation was the chief inspector of boats, the Irrigation and Water Resources Department. The irrigation department's primary role concerns managing canals and water bodies to facilitate irrigation, not houseboat operations. The houseboat classification scheme was introduced (Department of Tourism, 2000) on April 3, 2000, to

**Table 14.1** Number of houseboats

District	2013	2019
Alappuzha	634	758
Kottayam	81	159
Kasaragod	2	2
Kollam	13	–
Thrissur	2	–
<b>Total</b>	<b>732</b>	<b>919</b>

Source: Compiled from Kerala Tourism Statistics (Department of Tourism, 2013, 2019)

ensure the quality of services and to protect the backwater environment. However, not many houseboats participated. The government has been promoting “responsible tourism” since 2008 as a tool for poverty alleviation; strengthening women; conservation of local and heritage art, craft, and traditional livelihood activities; and local development by assuring community involvement in tourism activities (Department of Tourism, 2019).

In 2010, the Director of Ports (instead of irrigation) was made responsible for the registration and authorization for the operation process of houseboats. The registration process of houseboats involves several steps and certifications, e.g., survey certificate, insurance certificate, pollution control board clearance certificate, and crew certificate. Additionally, houseboats are surveyed annually to inspect vessels, firefighting equipment, lifesaving appliances, crew certificates, etc. Thus, the registration and licensing processes are long and tedious, requiring approvals/clearances from multiple agencies. It increases the cost of operations, thus deterring houseboat owners from taking it. It does not facilitate houseboat owners to attract more tourists or avail government subsidies.

- **Tourism policies:** Kerala’s Tourism Policy 2012 (Department of Tourism, 2012) aspires for tourism to become a vibrant and significant contributor to the sustainable development of the state. The policy has two critical missions: (i) attract investment, which will be sensitive to the natural environment, and (ii) communities benefit from tourism and value its contribution. These are in line with the concept of sustainable development and responsible tourism. The policy has two paragraphs regarding backwater tourism that acknowledges its pollution: “(5.2.3) Alappuzha has more than a thousand houseboats operational, with a density much above carrying capacity, which calls for a need for dispersal to underused regions...” (pp.6), and “(5.6.1) Pollution of backwaters and other water bodies due to tourism activities is a significant concern, and that tourism department and Pollution Control Board (PCB) will take stringent measures to see that all houseboats will have a scientific waste management system and use 4-stroke engines” (p. 7). Implementing these steps to control the menace was difficult, even after taking cognizance of pollution.

Kerala’s revised tourism policy 2017 reiterates sustainable development and responsible tourism principles. “Responsible Tourism Mission” was launched in 2017 as an independent wing functioning within the tourism department. Alappuzha has been identified as a “responsible tourism” destination. However, the linkage of this mission with houseboats operation is not clearly outlined.

- **Environmental concerns:** Houseboats must legally follow safe sanitation practices and not dump liquid or solid waste in backwaters. But a long-term problem has been the disposal of solid waste and untreated wastewater (gray and black-water) generated by houseboats. The reported fecal coliform count was up to 1800 per 100 ml in the lake (Remani et al., 2010). Other estimates suggest that 604 houseboats discharge 23,0160 liters of wastewater daily into Vembanad Lake during peak seasons (Sajimon, 2012). Water quality status was assessed using various physiochemical parameters during three seasons, pre-tourism (August–October), tourism (November–February), and post-tourism (April–May)

between 2008 and 2012, and the observed variations in these parameters conclude that backwater is moderately polluted in terms of pH, total hardness, chloride, and fluoride. But it contained higher Biochemical Oxygen Demand (BOD) quantities and was found unfit for drinking water (Vincy et al., 2012). The total coliform count in water collected from Punnamada was 8000 per 100 mL in April 2019, against the permissible levels of 500 per 100 mL (Shaji, 2020). Though we do not have recent data, it is logical to conclude that this discharge would have increased with the rise in houseboats and tourists.

Studies of fish populations in backwaters in 2010, 2012, and 2017 reveal contamination of fish due to heavy metals like zinc, cadmium, lead, and copper. Hence, consumption of these fish can lead to chronic disorders and health impacts (Mahesh et al., 2010; Mohan et al., 2012; Ramasamy et al., 2012; Sruthy & Ramasamy, 2017).

In 2013, DTPC (along with the local body) set up a dedicated sewage treatment plant (STP) for houseboats on 566.56 m<sup>2</sup> of land in the H-block of Kuttanad Taluka with a capacity to treat 180,000 L of waste daily (The Times of India, 2019). All Kerala House Boat Owners Association (AKHBOA) members indicated that taking houseboats to STP is time-consuming due to its location, increasing operating costs.

## ***2018–2022: Legal Contestations and Responses During Floods and COVID***

PCB cancelled the STP license in 2019 for not meeting effluent discharge standards. DTPC and AKHBOA were entrusted with the responsibility of operating STP. PCB suggested the tourism department set up a world-class treatment plan for septage. In response, DTPC submitted a report to PCB for upgrading the existing STP. However, PCB directed them to set up a fecal sludge treatment plant. In the meantime, the upgradation of the existing STP is also delayed as DTPC did not get any agencies to upgrade it. This back and forth of proposals between DTPC and PCB has delayed the process of STP construction. DTPC does not have the functional expertise for operating an STP. A houseboat produces 200–1000 L of waste daily and needs to visit STP every 3–4 months. However, as STP is not functional, houseboats discharge wastewater directly into the backwaters. Vembanad Kayal Samprakshana Samiti's secretary said, "dumping of septage and plastics from houseboats in the lake had posed a great threat to the river ecosystem." He states that 6500 tonnes of fish are depleted yearly, and the lake now had 98 fish varieties instead of 150 species a decade ago. Thus, the lake that spans over 2033 km<sup>2</sup> in three districts was found to be the most polluted water body in the world in a study carried out by Alfred Wegener Institute (AWI) and others in 2017 (Sudheesh, 2019) (Fig. 14.2).

The tourism department revised the houseboat classification scheme (Government of Kerala, 2019) to provide tourists with the best possible service and protect canals from pollution. Houseboats are classified into silver, gold, and diamond vessels based on facilities (including safety and security, waste management, and



**Fig. 14.2** Photographs of houseboats cruising in Vembanad backwaters. (Source: Rutool Sharma, December 2019)

responsible tourism). Various financial benefits, including a 10% state investment subsidy, were proposed to encourage houseboats to apply under the scheme (Placeholder1).

Under a writ petition (All Kerala House Boat Owners Association versus The Director of Ports, 2018), the petitioner requested compliance with “The Inland Vessels Act (IVA), 1917,” and “The Kerala Inland Vessels Rules (KIVR), 2010,” by confiscating houseboats operating illegally (i.e., those without survey, registration, and consent to operate from a competent authority) in Vembanad Lake and Punnamada backwaters. The petitioner raised the following issues:

- Illegally operating houseboats are known to the officials; however, these houseboats are not confiscated due to political compulsions.
- About 25% of houseboats discharge their waste directly into the water. These boats are functioning without consent from PCB. Though stop memos are issued in some unauthorized houseboats, memos are not enforced.
- Section 19A of IVA prohibits using an inland vessel for any voyage/service without a certificate of registration, and it cannot be registered without a survey before service.
- KIVR requires the installation of pollution control devices for sewage treatment and disposal, and solid waste processing, disposal, and sound pollution control measures should be ensured. However, these rules are not enforced.

In response, the Director of Ports expressed an inability to enforce the law due to staff shortage to seize illegally operating vessels, the absence of a yard to keep seized boats, and awaiting the government’s confirmation for constituting the enforcement wing under Rule 143 of IVR. An advisory committee set up under rule no 138 of KIVR issued decisions that all vessels should display registration numbers; a moratorium on new registration of boats in Alappuzha port; and a directive for new reconstruction to be given only for applications received up to December 31, 2013. However, boats from other districts were allowed in Alappuzha, thus defeating measures taken to reduce inland water traffic. Senior Government Pleader

filed a statement on February 29, 2020, requesting the court to form a committee (consisting of revenue officials, district collector, superintendent of police, and officers of the port department) to find out unauthorized operations of houseboats and take action. He also requested the court to task the CEO of Kerala Maritime Board (KMB) to form a task force for the inspection of registered houseboats in terms of relevant rules and to initiate measures to identify unregistered boats and register eligible boats within 1 month.

While the case was ongoing, KMB Act 2017 was enacted, under which administration, control, and management of all nonmajor ports were transferred to KMB. After this, it took measures to procure land for seized boats, installed CCTV cameras, conducted surprise inspections, etc. It also decided to form a task force for regular monitoring and support for houseboats' adherence to rules (including identification of unregistered houseboats and other boats, i.e., shikaras and motorboats; launch the online web portal for inland vessels; develop a GPS tracking system; install barcoded number plates to houseboats; conduct training programs for boat owners and cooks; implement comprehensive waste management for houseboats; and deal with custody and storage of illegal houseboats, among other tasks).

However, a news article (Sam, 2021) highlighted the impact of inadequate staff in the Department of Ports for registration of new houseboats and enforcement of safety regulations. The report highlighted that many houseboats still operate without possessing a license, which poses a considerable risk to tourists, houseboat crew, and boat operators of being denied insurance coverage due to any mishap. It raised an important point that unless staff strength is augmented, it is difficult to check whether houseboats are adhering to waste disposal norms or not.

Three hundred houseboats are awaiting registration to operate in Alappuzha, vehemently opposed by AKHBOA, citing that the state government had announced a moratorium on registering new vessels in 2013, considering study reports regarding carrying capacity and pollution concerns (Sam, 2021). Another article (The Hindu, 2022) mentions a major drive launched by the port department to identify and seize houseboats flouting norms. This report quotes the port department saying, "...1588 mechanically propelled boats (houseboats, shikaras, and motorboats) are registered with Alappuzha Port registry. However, real numbers are quite high...." The report mentions that the port department seized around six houseboats; however, there have been allegations that the drive is losing steam due to "political pressure."

Also, it must be noted that the houseboat tourism industry faced significant setbacks due to floods in 2018 and 2019. Subsequently, a nationwide lockdown due to COVID imposed on March 24, 2020, suspended houseboat operations till October 2020. Even after restarting the operations, the sector could not attract many tourists due to COVID-related uncertainties. Before the industry could revive, another lockdown was imposed due to the second wave. Thus, for one and half years, the houseboat industry remained nonoperational and faced a significant financial crisis (Paul, 2021). Even after opening up, the demand was sluggish due to uncertainties associated with the pandemic. During this period, houseboat operators/owners had to avail

of private loans to maintain houseboats, as bank loans were unavailable. To help houseboat tourism recover (by carrying out repair and maintenance of houseboats), the Kerala government announced the “Tourism Houseboat Support Scheme” as one-time financial support up to Rs. 1,20,000. However, this aid was available only to licensed houseboats, and many houseboat licenses were not renewed during COVID. Moreover, houseboat owners allege that funds required for maintenance are almost double the financial aid provided. Hence, the houseboat tourism industry underwent prolonged stress due to floods and COVID. Post-COVID, the houseboat industry is optimistic and expects to bounce back with the hope of attracting more tourists in the coming seasons.

Due to limited operations of houseboats during COVID, there is a possible improvement in water quality due to decreased discharge into backwaters. It was found that the regulation of anthropogenic activities due to the lockdown in April and May 2020 has improved water quality. The study recommends that a coordinated response in reducing anthropogenic activities has the potential to sustain and restore the ecological values of Vembanad Lake (Kulk, et al., 2021).

Thus, the post-COVID situation offers an opportunity to reimagine houseboat operations as the risks associated with the decline in tourists have been realized by houseboat operators and the government. Houseboat operators have understood the importance of collective action to facilitate tourism revival. There has also been some realization among other stakeholders that their unsustainable practices are likely to affect their livelihoods drastically, thus providing a window to rethink public policy and governance aspects for the adoption of sustainable practices in tourism by both public and private players.

## Theoretical Underpinning and Framework

The following theoretical underpinnings could be used independently or in combination with others to review the case based on requirements in the respective discipline.

***The Tragedy of Commons (Hardin, 1968)*** This concept emerges from Garret Hardin’s idea that users will continue to extract benefits from a common property resource (the Vembanad Lake and its ecological system in this case) in an unrestrained manner to such an extent that the commons ultimately is destroyed. This concept is based on the assumption that every user tries to maximize their gains at the cost of others using the CPR and that there is no possibility of the users arriving at collective-choice arrangements by talking to each other. The only option to preserve the commons in such a condition is to privatize the commons, thereby turning a common property into a private good. This becomes an impossible and unrealistic solution for large CPR like Vembanad backwaters having an ecosystem of multiple uses and thousands of users.

**Table 14.2** Ostrom's principles and the possibilities for the case

Principles	Operationalization in case
Clearly defined boundaries	Backwater region is cutting across several administrative districts with watershed spread over a larger area; the dilemma is to clearly articulate boundaries and identify user groups/stakeholders for fixing their use or jurisdictional domains
Congruence with local conditions	Backwaters have multiple user groups with varying usages. It becomes almost impossible to clearly identify each usage's impact and carrying capacity limits. The lack of mechanisms to systematically collect and transparently share longitudinal data on environmental conditions further complicates its governance
Collective-choice arrangements	The multiplicity of the user base and agencies/departments working/regulating different uses pose a challenge for sustainable management. Different possibilities for setting up institutional mechanisms can be explored
Monitoring	Separate jurisdiction without interlinkages between departments results in weak monitoring. State-level authorities monitor backwater pollution without the participation/control of local users in the monitoring process
Graduated sanctions	There are limited mechanisms to penalize rule breakers effectively. The current system does not judge the severity of violations or incremental penalties for multiple offences. Dilemmas revolve around gradations in financial or nonfinancial penalties for each severity of a breach
Conflict resolution mechanisms	Backwaters have a long history of conflicts between traditional users since the 1980s. Now, tourism-related livelihood conflicts have been added. Local dialogue and conflict resolution mechanisms must be created between (intra and inter) user groups
Minimum recognition of rights to self-organize	Kerala has been relatively more proactive in devolution and decentralizing powers to local bodies and involvement of civil society groups for local action. This offers possibility to incorporate this principle
Multiple layers of nested enterprises	Once the jurisdictional overlaps are removed, local institutions can be embedded in the larger departmental structures

Source: Generated by author Ravi Sannabhaditi, 2022

**Elinor Ostrom's Eight Rules for Managing the Commons** However, Ostrom (2008) argues that one should raise the question under what conditions is “the tragedy of commons” likely to occur. She (Ostrom, 1990) argues that collective-choice arrangements (i.e., agreed mechanisms of resource use between different sets of users) are possible for sustainable management of the resource if the eight principles mentioned in Table 14.2 are followed.

**Integrated Water Resource Management** IWRM's widely accepted definition is “a process which promotes the coordinated development and management of water, land and related resources, in order to maximize the resultant economic and social welfare in an equitable manner without compromising the sustainability of vital ecosystems” (GWP, 2000, in Cap-Net, 2014). It recognizes the interdependence of land, water, and ecosystems while also the need to address multiple users and conflicting and increasing demands. The second and fourth Dublin principles particularly relevant to this case are:

- Water development and management should be based on a participatory approach involving users, planners, and policymakers at all levels.
- Water has an economic value in all its competing uses and should be recognized as an economic good.

The training manual (Cap-Net, 2014) identifies the following areas that are likely to cause conflicts: (1) interdependence of people and responsibilities, (2) jurisdictional ambiguities and functional overlap, (3) competition for scarce resources, (4) difference in organizational status and influence, (5) incompatible objectives and methods, (6) differences in consumption styles, (7) distortions in communication, and (8) unmet expectations. The case offers us rich material to think about how to achieve objectives emerging from Dublin principles and different conflict resolution possibilities by addressing the areas of conflict.

**Sustainable Development and Sustainable Business** Sustainability in business talks about embedding decision-making in businesses beyond the consideration of profit-making. Thus, it endeavors to use environmental, social, and governance impact parameters to guide the decision-making process (GRI and UNGC and WBCSD, 2015). SDGs 6, 11, 12, and 14 are particularly relevant to the case.

## Discussion

Backwaters are not only livelihood sources for houseboat operators, but other locals are also dependent on them. Current estimates reveal that over 1.5 million residents depend on Vembanad Lake for their livelihoods, and the ecological decline is a cause of great concern (Borgen Project, 2020), as it provides resources for fisheries, aquaculture, natural products, water, paddy cultivation, etc. Ironically, tourism and other livelihood activities cause backwater destruction, reducing tourism potential. However, tourist inflow is constantly increasing and so is the demand for backwater cruises. Tourism-related activities like waste dumping, sewage discharge, etc., aggravate pollution in backwaters, thus adding to issues faced by traditional user groups.

Tourism is not the lone contributor to this degradation phenomenon of CPR. Reclamation activities for agriculture, industries, and urbanization have reduced the backwater area. Other livelihood/development activities also add to this. Water quality deterioration caused by pesticides/fertilizers from paddy fields, effluents from coir retting units and industries, plastic disposal, sewage disposal, etc., has reduced fishing areas and fish diversity (Dahiya). Along with pollution, adopting motorized fishing activity in certain highly productive zones has resulted in the depletion of fishing stock.

High nutrient load from agriculture and sewage disposal coupled with non-flushing of these from the backwaters (due to Thanneermukkom barrage) has caused prolific growth of invasive weeds (Planning Commission, 2008) in the freshwater



**Fig. 14.3** Proliferation of weeds in Vembanad backwaters. (Source: Rutool Sharma, December 2019)

zone (Fig. 14.3), which increases obstruction in water flow causing issues like waterlogging and water quality deterioration and affects the movement of boats.

Other stakeholders have pointed out that the tourism industry does not pay attention to the training/certification of its staff. Staff is not trained to sensitize tourists about no-go areas and expected behavior when they disembark in local neighborhoods. This results in the invasion of privacy in residential neighborhoods (Borgen Project, 2020). Also, there are instances when houseboat staff deviate from route arbitrarily based on tourist requests, thus transgressing into areas that may be dangerous or socioculturally sensitive. Such incidents increase friction between tourists, houseboat operators, and residents, sometimes creating safety and security issues.

Conflicts around backwaters between traditional users requiring water for livelihoods/daily use and the tourism industry are very evident. Multiple benefits accrued from CPR create competition and conflicts among wetland beneficiaries.

## Interventions for Managing Backwater Tourism and Houseboat Operations

Mass-scale houseboat operations on backwaters have led to multiple sociocultural, economic, and environmental impacts discussed above. Solving the sustainability crisis in Kerala backwaters would require a multifaceted and integrated approach (People's Commission on Vembanad Ecosystem, 2017). Possibilities are briefly discussed below:

- Regulating houseboat operations: the number of houseboats, license and clearance requirement, setting up incentive/penalty mechanisms, houseboat certification based on safety and sustainability aspects, training/awareness building among houseboat owners/staff, developing tracking system using GPS, etc.

- Setting up waste management, disposal, and treatment infrastructure for house-boats waste and strict enforcement of preventive measures for disposal of waste in backwaters.
- Providing incentives to houseboats that follow regulatory standards.
- Banning of use of plastic on houseboats/tourist boats.
- Conducting awareness programs for various stakeholders (houseboats operators, tourists, government officials, residents, etc.)
- Signboards/notices showcasing importance of backwaters and impacts of polluting activities.
- Involving local NGOs, associations, CBOs, etc., in pollution control, monitoring, and awareness creation.
- Cleaning measures for improving water quality of backwaters.
- Regular opening of barrage gates for water exchange and self-cleansing of canals and lake.
- Managing conflicting situations between houseboats operators, farmers, and fishermen through dialogue and creating appropriate alternatives through discussions.
- Diverting public funds and creating corpus funds for managing backwaters.
- Deriving alternate mechanisms for collecting funds for managing backwaters—taxing tourists and taxing houseboats based on their size/capacity.

## Conclusion

Several stakeholders are involved in the daily use, livelihood arrangements, management, and conservation of backwaters. Hence, resolving the above issues and implementing suggested interventions would require the participation of multiple government agencies [port department, KSPCB, local bodies, KSCZMA, forest department, irrigation department, tourism department, DTPC, fisheries department, AKHBOA, and residents (fisherman, farmers, households)] and community groups. The governmental agencies that are supposed to maintain natural resources such as lakes are often “unable to do so due to a complex governance structure with overlapping jurisdictions, compounded by an evolving legislation” (D’Souza & Nagendra, 2011). Accomplishing effective governance by involving several institutions working at various scales is crucial, especially as their “jurisdictions, powers, and scopes for action” often overlap, which seems to be currently missing in the case of Vembanad backwaters. The challenge of handling the potentially conflicting interests of different stakeholders, such as the tourism industry, on the one hand, and traditional stakeholders, such as fishermen, on the other, remains (Karlaganis & Narayanan, 2014).

## Teaching Note

### Case Summary

Vembanad backwater is a large ecologically fragile watershed region encompassing several settlements, leading to sustainable water management and jurisdictional issues. Locals are closely associated with backwaters for traditional and economic activities. With tourism promotion by the state, the backwaters of Kerala have become famous for houseboat cruises. Even though the economic potential of backwaters has increased manifold due to tourism, it has generated multidimensional challenges. The situation is alarming due to the involvement of multiple user groups and several public agencies in managing and conserving backwaters. Thus, backwaters are threatened due to competing uses and management conflicts, lacking a comprehensive view of sustainable and responsible tourism promotion.

This case study documents issues/dilemmas that emerge due to resource allocation constraints across multiple stakeholders (whose livelihoods depend on backwaters) and the inability of public agencies to resolve these. It examines conflicts within and between (public and private) stakeholders left unattended, resulting in unsustainable practices damaging backwaters. This may, in turn, result in a decline in tourism.

### Teaching and Learning Objectives

This case study brings out dilemmas/issues in decision-making from a public policy perspective on tourism management for sustainability concerns in the common property resource (CPR) context of backwaters. It will help:

1. *To understand the impacts of various human activities (tourism, transportation, agriculture, fishing, etc.) on environmental resources, particularly as commons.*
2. *To make students comprehend the embedded issues of equity and unequal risks faced by different livelihood groups (including houseboat operators) and activities due to public policy decisions on various stakeholders connected with an environmental resource.*
3. *To orient students toward the importance of jurisdictional boundaries and decision-making processes embedded in the governance of common property resources involving multiple stakeholders belonging to diverse interest groups.*
4. *To sensitize students to incorporate sustainable and responsible tourism concepts in tourism practices.*

## ***Target Audience***

This case study will benefit students in disciplines and allied branches of tourism, urban and regional planning, public policy, environmental studies, and management. It will be helpful for a wide range of courses (i.e., certificate to doctoral-level courses like tourism management, sustainability, CSR modules, environmental studies, natural resource management, economics, development studies, regional studies, geography, advocacy, etc.). This case study will appeal to academics, professionals, and policymakers working in multidisciplinary tourism, environment, and equity studies.

## ***Teaching Approach and Strategy***

Students should read the case study in detail before the class discussion, identify issues, and draw appropriate solutions/recommendations. Role-playing and group discussion can be used to deliver this case study using the following steps:

1. Brief description by the tutor (15 min): Case study discussion can start by asking a trigger question, e.g., “Are tourism activities environmentally friendly and sustainable?” Under what conditions (economic/ institutional or public policy context) do these become sustainable or unsustainable? “In a dynamic societal context, what are the key challenges to environmental resources when new technologies or activities (e.g., houseboats) get introduced?” Do these always lead to degradation or overextraction from a natural resource?
2. Questions can be taken forward to discuss challenges faced by environmental resources/commons. The opening discussion should conclude by reading this case study’s abstract and teaching objectives. The overarching key question that the case study could address can be chosen along the lines of:
  - What (economic/financial/environmental/tourism) policy or business context can facilitate collective action for the sustainable use of backwaters?
  - Can tourist operators rethink their practices based on the theoretical underpinnings? What prevents them from doing so? What are the long-term implications for tourism if this situation continues?
3. Group/panel discussion (45 min): The class may be divided into stakeholder groups, and questions given in Table 14.3 may be used for discussions leading to stakeholder analysis.
4. Debate on decision dilemmas (45 min): After group/panel discussion, the decision dilemmas should be summarized and collectively prioritized for selecting a few for developing detailed action strategies:
  - Multiplicity of users dependent on Vembanad Lake and its backwaters for their livelihood, embedding it in the framework of equity and unequal risks.

**Table 14.3** Guiding questions for stakeholder analysis with student groups

Stakeholders	Guiding questions
Houseboat owners/operators	What issues do they face in operating houseboats, especially waste management? What support do they need to help conserve backwaters? Are they aware of the conflicts between houseboat operations and other local activities and livelihoods?
Tourists	Do they feel that backwaters are polluted? Are they aware of the impacts of houseboat operations on the backwater system?
Farmers/fishermen/local people	What are the impacts of houseboat operations on their livelihood means? What are other activities that are polluting the backwaters? What can be done to resolve pollution-related issues? How do they cope?
Department of Tourism, port authority, and PCB official	Do houseboats require clearance for operations? What issues do they face while issuing clearance? What issues do they have during registration/certification of houseboats? Is it mandatory, and are owners prompt in registering houseboats? How could this system be improved? What are the institutional limitations faced by them? How do they coordinate with other agencies to manage tourism and its impacts within their local areas and backwaters?
Irrigation department/revenue/local body officials	What role do they play in houseboat tourism, and what limitations do they face? What measures are taken by them across various agencies to improve water quality? How do they coordinate with other agencies to manage tourism and its impacts within their local areas and backwaters?

Source: Generated by authors

- Resultant impact on backwaters due to unsustainable practices (social, economic, environmental, and cultural).
- Role of public sector stakeholders in managing these backwater systems and their response regarding resource redistribution, management, and conservation.
- Decision dilemmas due to multiple stakeholders (both public and private).
- Discuss critical takeaways: (a) main aspects that need to be reviewed while promoting tourism activities in environmentally sensitive areas, (b) balancing tourism promotion and local needs dependent on the resource, and (c) essential points that should be considered while drafting a public policy in context to tourism promotion.
- Closing (15 min): Conclude the case study by discussing key points, summarizing the group discussion, and reiterating it in the context of teaching objectives.

### ***Analysis: Sample of Indicative Answers***

Vembanad backwaters are under immense pressure due to tourism activities, especially houseboat operations. However, it is essential to note that the backwaters of Vembanad Lake are physically and geographically connected with their surroundings and are competing with other economic activities adding to its deterioration. The intensity of these activities has also increased over time, thus complicating resource allocation and aggravating pollution. Stakeholder involvement in backwater conservation is discrete and lacks a comprehensive approach. Therefore, these environmental assets are getting compromised due to access, control, and conservation politics. Tourism and other economic activities need to recognize the importance of environmental resources and their individual and collective impacts, along with the difficult choices for governing such shared resources. Sustainable and responsible tourism practice would mean identifying the adverse effects of one's business decisions and incrementally partnering with other stakeholders (including governments at various levels) to explore and negotiate possibilities to support each other in reducing these negative impacts.

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# Index

## A

- Adapt, 2, 17, 18, 20, 27, 29, 31, 38, 42, 54, 86, 110, 113, 114, 125, 153, 154, 179, 189, 194, 195, 197, 203  
Agile leadership, 7, 112, 114  
Agility, 6, 15–28, 110, 114, 169, 222, 224  
ALH Hotels, 6, 8, 160–174, 176  
Analytics, 6, 166, 168  
Apartment hotels, 6, 7, 37–39, 44, 45, 49–58  
Automation, 6, 8, 159, 160, 165–170, 172, 174, 175

## B

- Backwaters, 7, 243–250, 252–260  
Balanced scorecard (BSC), 6, 7, 101–116  
Benchmarking, 7, 102, 104–106, 110–116, 204, 205  
Brand authenticity, 7, 75, 76, 80  
Budget, 70, 84, 106, 107, 110, 129–131, 133, 134, 139, 150, 151, 168, 200, 202, 203, 221  
Business environment, 7, 19, 27, 37, 102, 103, 113, 122  
Business idea, 126–127, 130  
Business models, 2, 7, 15, 20, 22, 23, 28–31, 33, 92–94, 103, 122–124, 127, 130–132, 135–137, 140, 173, 194

## C

- Carrying capacity, 245–253  
Changes, 1–3, 6, 8, 15–19, 22, 24–27, 37, 39, 41, 42, 48, 53, 55, 56, 61, 65, 68, 73,

78, 83, 84, 86, 87, 89, 92–95, 101, 103, 105, 110, 111, 113–115, 153, 163, 166, 170, 179, 180, 185, 186, 189, 190, 194–197, 204, 216, 224, 225, 227, 245, 247

Collaborations, 4, 8, 22, 30, 47, 48, 67, 95, 108, 130, 195, 196, 202, 217, 232, 237–239

Community involvement, 7, 8, 213–223, 225, 226, 228, 248

Competition, 27, 49, 104, 122, 125, 130, 133, 163, 180, 181, 193, 195, 254, 255

Competitive advantages, 7, 30, 39, 42, 43, 49, 58, 83, 84, 93, 94, 96, 114, 122, 130, 134, 135, 137–140, 167, 179, 204

Competitive strategies, 7, 136

Consultative selling process (CSP), 7, 84–86, 90–96

Contiki Canada, 6, 83–93, 95

Cooperation, 8, 65, 182, 195, 237

Corporate travel, 48, 51, 52

Cost leadership, 42, 57, 58, 129

COVID-19 pandemic, 1, 3, 6–8, 15–28, 37, 38, 45, 52, 54, 57, 87, 92, 112, 125, 147, 148, 152, 153, 160, 168, 174, 179, 180, 186, 196, 198, 205, 217, 220–222, 225, 234, 237

Crisis, 6, 15, 16, 19, 22, 26–32, 42, 57, 61–67, 69–71, 74, 75, 77–79, 87, 125, 129, 196, 198, 215, 221–224, 251, 255

Crisis communications, 6, 7, 61–77, 79, 80

Crisis management, 7, 61, 63, 66, 67, 74–76, 79

Cultural heritage, 8

Cultural heritage sites, 8, 213–229  
 Customer experiences, 124, 139, 168, 184  
 Customer perspectives, 102, 103, 105,  
     107–108, 138  
 Customer value, 8, 79, 200, 203, 204

**D**

Destination brand, 232  
 Differentiation, 43, 57, 58, 126, 129  
 Digital platforms, 121, 125, 136–139  
 Diversification, 8, 133

**E**

Employee turnover, 146–147, 154  
 Environmental perspectives, 103, 105,  
     109, 110  
 Expansive growth, 134, 140  
 External environments, 7, 37–42, 52–57,  
     105, 138

**F**

Fairmont Banff Springs, 6, 8, 147–153, 155  
 Fast food restaurant chain, 179  
 Financial perspectives, 102, 103, 105–107,  
     110, 194, 203, 205  
 Focus, 8, 23, 27, 43, 55, 57, 58, 64–66, 76, 79,  
     92, 110, 113, 115, 116, 121, 133, 139,  
     154, 168, 175, 176, 184, 186, 188, 193,  
     203–206, 224, 236–239, 245

**G**

Go international, 134–135  
 Governance, 9, 124, 135, 252–254, 256, 257

**H**

HAJ restaurant chain, 6, 8, 194, 197–201,  
     203, 204  
 Holistic approach, 71, 127, 194, 197  
 Hospitality industry, 1–3, 6, 42, 47, 55, 104,  
     113, 121–139, 145, 146, 148, 153, 154,  
     156, 196, 205  
 Hotel, 7, 15, 37, 62, 101, 121, 147, 159  
 Hotel industry, 17, 19, 25, 27, 104,  
     121, 148  
 Houseboat operations, 7, 245–252, 255–256,  
     259, 260  
 Humanistic approaches, 7, 27, 112

**I**

Innovation, 6, 8, 27, 30, 42, 110, 112, 115,  
     121, 195, 220, 222  
 Internal environments, 7, 37, 38, 40, 41,  
     45–52, 54–56  
 Internal process perspective, 103, 108  
 International expansion, 8

**J**

Job embeddedness, 8, 146–147, 152–156

**K**

Key performance indicators (KPIs), 102–104,  
     113, 116, 170, 175, 199

**L**

Leadership, 6, 7, 15–30, 32–34, 76, 94, 103,  
     108, 112, 115, 126, 147  
 Leading and growth perspective, 102,  
     103, 108–109

**M**

Maasai community, 8, 213, 218  
 Management conflicts, 7, 257  
 Management plan, 224  
 Marketing, 7, 27, 44, 51, 54, 65, 67, 68, 70,  
     75, 76, 79, 85, 86, 89, 93, 96, 108, 114,  
     122, 125, 126, 130, 131, 133, 135–139,  
     141, 167, 168, 188, 198, 200–202, 225,  
     227, 228, 232, 238, 239, 243, 246

Market opportunity, 122, 129

Measurement systems, 102, 113

Measures, 1, 20, 40, 42, 53, 68, 69, 90,  
     102–105, 111–113, 115, 131, 150, 151,  
     184, 185, 199, 201–204, 238, 248, 250,  
     251, 256, 259

Motivations, 4, 18, 25, 29, 30, 33, 56, 104,  
     116, 146, 153, 155

**N**

Network, 63, 123, 126, 132, 195, 232,  
     236, 244  
 Network effects, 122, 123, 125, 132–134, 136,  
     138, 140  
 New normal, 2, 7, 26–27, 30, 48, 101, 102,  
     112, 113  
 Ngorongoro Conservation Area, 7, 8,  
     213, 216–229

**O**

Opportunities, 2, 5, 8, 15, 26, 29, 31, 39, 41, 42, 45, 61, 66, 75, 84, 86–88, 93, 102, 104, 105, 109–112, 114, 122, 125, 126, 133, 138, 139, 145, 147, 163, 167, 194, 234, 240, 252

Organic growth, 133, 140

**P**

Performance, 3, 6, 7, 17, 21, 23, 40, 63, 94, 101–113, 115, 116, 132, 133, 136, 167, 168, 193, 196, 197, 199, 217, 223, 224  
Performance measurement, 7, 102, 106–109, 111, 112, 115, 116  
PESTLE, 7, 40, 42, 54, 55, 57  
Policies, 41, 103, 105, 108, 110, 114, 131, 149, 194, 248, 258  
Porter’s generic strategies, 7, 37, 38, 42–43, 52, 54, 55, 57, 58  
Pricing, 6, 49, 131, 132, 159, 160, 165–170, 173–176  
Product development, 6, 8, 193–197, 199–201, 203–207  
Product innovation, 193  
Prototyping, 182, 184–186, 188

**Q**

Quarantine hotels, 6, 15–28, 30, 31, 50–54, 160

**R**

Resilience, 2, 6, 8, 22, 29, 65, 66, 194–197, 199–201, 203–207, 216, 225  
Resilience-driven approach, 8  
Resorts, 6–8, 43, 87, 101–115, 129, 134, 145, 147, 149, 152, 153, 161, 233, 234  
Resource leveraging, 200, 203, 204  
Resources, 8, 9, 19, 24, 30, 40–42, 77–79, 96, 105, 108, 112, 113, 115, 121, 122, 124, 131, 133–135, 137, 156, 167, 189, 195, 197, 213, 214, 216, 217, 219, 222–225, 243, 245, 247, 252–254, 256–260  
Responsibilities, 7, 17, 18, 22, 23, 26, 29, 62–66, 74–76, 80, 103, 104, 115, 132, 152, 153, 155, 196, 249, 254  
Responsible tourism, 245, 248, 250, 257, 260  
Restaurant sector, 197  
Retention strategies, 8, 153, 154

Rethink, 2, 5, 8, 27, 30, 42, 87, 88, 103, 153, 252, 258

Revenue management (RM), 8, 159, 160, 162–170, 173–176

Risk management, 197, 200, 203, 204

**S**

Sales leadership, 6, 83–92, 95  
Scaling, 6, 121–136, 139, 180, 185  
Segments, 37, 43, 46, 48, 86, 87, 110, 114, 122, 127, 129–131, 133–135, 138, 139, 165, 182, 183, 213, 232, 236–239  
Selling model, 7  
Service design methodologies, 8, 182, 185  
Service innovation gap, 6, 8, 180–182, 185, 186, 190  
Shadow destination, 7, 8, 231–235, 237–239  
Sharing economy, 7, 121–123, 132, 135, 136, 140  
Social exchange theory (SET), 8, 214–216, 222, 223, 225, 227–229  
Social media, 6, 7, 61–80, 86, 105, 106, 131, 199, 220, 227, 229, 236, 239  
Social perspectives, 103–104, 109, 111  
Sri Lanka, 6, 8, 122, 123, 125–129, 131, 132, 136, 137, 139, 141  
Stakeholder perspectives, 6, 134, 193–196, 199, 205

Stakeholders, 5, 8, 15, 20, 22, 27, 31, 61, 63, 64, 66, 67, 71, 75, 78, 84, 93, 103, 110, 115, 139, 167, 194–196, 214, 215, 218, 222, 223, 232, 238, 239, 245, 246, 252, 253, 255–257, 259

Startup, 8, 122–125, 127, 130, 132–137, 139

Strategic agility, 16, 19, 28, 29, 112

Strategic directions, 7, 16, 38, 42, 52, 54, 55, 57, 122, 133, 135, 136, 138, 140

Strategic position, 8, 38, 43, 49, 54, 133, 134, 136

Strategies, 2, 15, 37, 61, 83, 102, 122, 145, 160, 193, 239, 258

Strengths, Weakness, Opportunities and Threats (SWOT), 7, 40–42, 54, 55, 57, 137, 152

Sustainability, 2, 7, 48, 88, 94, 96, 103, 104, 111, 179, 197, 222, 223, 253–255, 257, 258

Sustainable practices, 88, 110, 252

Sustainable tourism development, 7

**T**

- Tanzania, 6–8, 213–215, 219–222  
Target markets, 38, 52, 54–57, 83, 84, 86–89, 91–96, 133, 134, 139  
Technologies, 2, 8, 40, 42, 48, 51, 79, 80, 89, 115, 123, 127, 129, 130, 159, 160, 164–168, 173, 175, 176, 184, 196, 197, 225, 228, 258  
Theory of institutional arrangements, 8, 225  
Top-down integration, 7, 84, 93  
Tourism industry, 57, 61, 64, 72, 87, 92, 94, 101, 125–127, 129, 137, 141, 196, 198, 214, 226, 239, 246, 251, 252, 255, 256  
Tourism policies, 248  
Tragedy of commons, 245, 253

- Transactional leadership, 16–18, 30, 32, 33  
Transformational leadership, 16–18, 200  
Turnover rates, 8, 152, 153, 155

**U**

- Uncertain times, 8, 18, 110, 112, 203, 204

**V**

- Ventures, 122, 124, 125, 127, 134, 135, 216, 247

**Y**

- Yoho Bed, 6, 7, 121–139