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**THE RESTRUCTURING OF THE MONTREAL  
TOURISM INDUSTRY:  
A SECTORAL ANALYSIS**

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**July 1994**

**A Thesis submitted to the Faculty of Graduate Studies and Research in partial fulfilment of  
the requirements of the degree of Masters of Arts**

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## ABSTRACT

Despite its growing importance in industrialized nations, the service sector has received relatively little attention from economic geographers in recent debates over the nature and significance of the current processes of change affecting contemporary capitalism. This lack of attention means that we have little detailed knowledge about how the various industries that comprise the service sector are restructuring their operations and how these processes, in turn, influence broader economic change. This thesis goes some way toward redressing this imbalance by studying the evolving structure of two key sectors of the Montreal tourism industry - hotels and travel agencies.

I begin with an overview of past attempts to understand the changing role of the service sector in developed economies. 'Conventional' studies have focused mainly on producer and information services and have provided valuable insights into the ways in which services can generate economic development. Unfortunately such approaches have downplayed the diversity of the service sector and have tended to ignore its role in broader processes of economic change. Such approaches have also often failed to provide detailed firm-level analyses of restructuring. 'Alternative' approaches, especially those adopting new political economy frameworks, are shown to provide a broader explanation of the role that services play in structural change. They are, however, constrained by the manufacturing bias of much of the literature - with services usually viewed as subservient to manufacturing. Despite their weaknesses new political economy frameworks are shown to perhaps provide the best starting point for the development of a more 'services informed' approach to understanding current economic change.

In an attempt to highlight the strengths and weaknesses of applying such approaches to the study of services I first review their ability to explain and predict changes currently taking place in the tourism industry as a whole. This is followed by a discussion of the empirical findings of the thesis based on 103 interviews with managers and owners of Montreal hotels and travel agencies. I focus on the following key areas: the evolving competitive environment, changes in corporate organization, the adoption of new technologies and shifts in labour use. After presenting the research findings, the ability of new political economy theories to explain and predict the evolving nature of these two tourism industries is discussed. I conclude by turning to some of the broader theoretical and policy-related implications of the findings.

## ABSTRACT

Malgré son importance croissante dans les pays industrialisés, le secteur des services n'a reçu que relativement peu d'attention des géographes-économistes lors des plus récents débats portant sur la nature et la signification des processus de changement courants qui influent le capitalisme contemporain. Ce manque d'attention fait en sorte que nous ne détenons que peu d'informations détaillées sur la façon dont les industries qui renferment le secteur des services restructurent leurs opérations et comment ces processus, de leur part, influencent de plus grands changements économiques. Cette thèse redresse quelque peu cette injustice en étudiant la structure évolutive de deux secteurs-clés de l'industrie du tourisme de Montréal -- l'hôtellerie et les agences de voyages.

Je débute avec un exposé général sur les efforts précédents qui ont été faits pour comprendre le rôle changeant du secteur des services au sein d'économies développées. Des études dites 'conventionnelles' se sont surtout concentrées sur les services de production et d'informations et ont fourni de précieux aperçus sur les façons à travers lesquelles les services peuvent générer le développement économique. Malheureusement, de telles approches ont manqué de faire prévaloir la diversité du secteur des services et ont eu tendance à ignorer son rôle lors de plus grands changements économiques. Ces approches ont aussi souvent manqué de fournir des analyses détaillées au niveau de la restructuration en ce qui concerne les raisons sociales. Des approches alternatives, surtout celles adoptant de nouveaux cadres politico-économiques, ont pu fournir des explications compréhensives au sujet du rôle que jouent les services dans le changement structural. Ces approches sont, cependant, gênées par le fort penchant que la documentation existante possède pour la manufacture -- où les services sont habituellement vus comme étant subordonnés à la manufacture. Malgré leurs faiblesses, les nouveaux cadres politico-économiques ont démontré qu'ils fournissent peut-être le meilleur point de départ pour ce qui s'agit du développement d'une approche plus informée au sujet des services pour comprendre le changement économique présent.

Désirant exposer les avantages et les désavantages encourus en appliquant de telles approches à l'étude des services, je revise d'abord leurs capacités à expliquer et à prévoir les changements qui ont lieu dans l'industrie du tourisme en général. Ceci est suivi par une discussion des découvertes empiriques de cette thèse basée sur 103 entrevues avec gérants et propriétaires d'agences de voyages et d'hôtels de Montréal. Je m'arrête sur les thèmes suivants: l'environnement compétitif croissant, les changements qui ont lieu dans les organisations corporatives, l'adoption de nouvelles technologies, ainsi qu'aux changements concernant l'utilisation de la main d'oeuvre. Une fois les trouvailles de recherche présentées, la capacité des nouvelles théories politico-économiques à expliquer et prédire la nature évolutive de ces deux industries du tourisme sera évaluée. Je conclus en m'adressant à quelques-unes des implications théoriques et aux lignes de conduite suggérées par les trouvailles.

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## CHAPTER 1 INTRODUCTION

Shifts on the consumption side, coupled with changes in production, information gathering and financing, seem to underlie a remarkable proportionate surge in service employment.. any account of the transformation of the advanced capitalist economies since 1970 has to look carefully at this shift (Harvey, 1989, 156-7)

### 1.1 The growing significance of services

During the past 40 years the service sector has grown rapidly throughout the industrialized world. The tertiary sector has provided enough new employment to compensate for the massive job losses that have occurred in the manufacturing sector. The result, in most nations, has been a transformation of the workforce with manufacturing employment currently accounting for only a fraction of the jobs that services provide (Figure 1.1 and 1.2). In addition service activities now account for more than half the output of most industrialized economies (Figure 1.3). Indeed it has been argued by some commentators that many rich 'industrial economies' would be more appropriately labelled as "service economies" (Economist 1994).

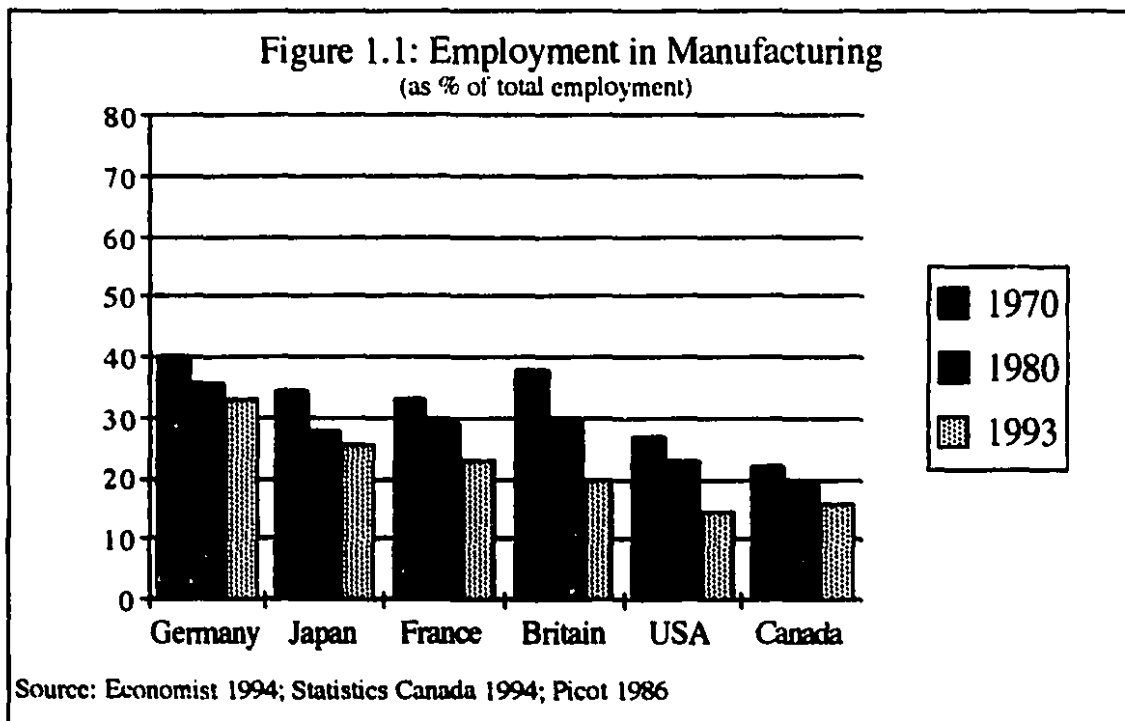
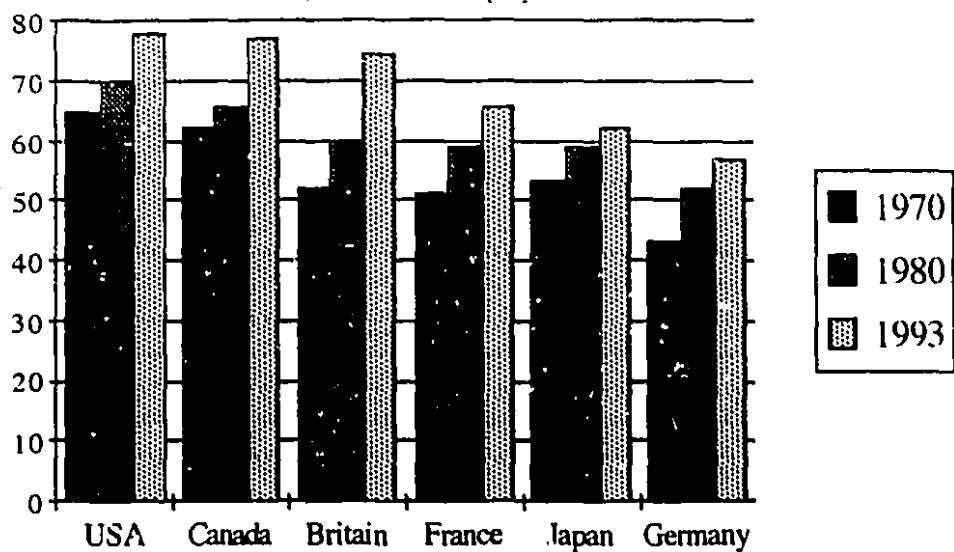
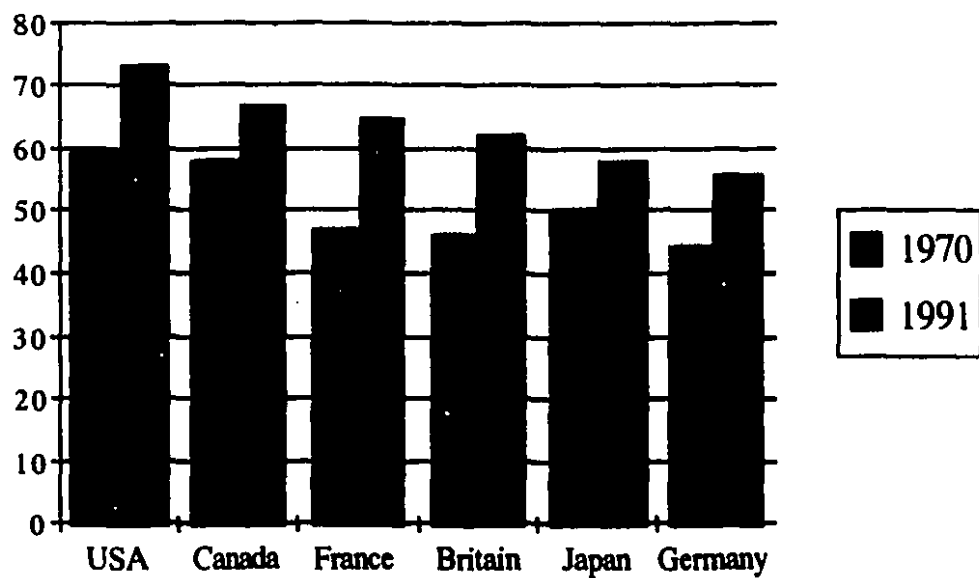


Figure 1.2: Employment in Services  
(as % of total employment)



Source: Economist 1994; Statistics Canada 1994; Picot 1986

Figure 1.3: Services as % of GDP for 1970 and 1991



Source: Economist 1993

In Canada, service employment grew at a cumulative annual rate of 3% from the early 1960s to the early 1990s compared to a rate of only 0.5% in manufacturing (Royal Bank 1993, 1). In 1967 the goods sector (primary industries, manufacturing and construction) employed 40% of Canada's workforce while the service sector employed 59% (Table 1.1). Since 1967 nearly 90% of the job growth in Canada has taken place in services and they now employ approximately 8 million Canadian workers or 77% of the economy's actively employed workforce (Royal Bank 1993, 1; Economic Council of Canada 1990) (Figure 1.2). In terms of output, service industries have grown at an average annual rate of 4.6% compared to 3.4% for manufacturing industries. By 1992, service activities accounted for over 65% of the nation's GDP, up from 59% in 1961 (Royal Bank 1993, 1) (Figure 1.3).

**Table 1.1: Canada's Shift to a Service Economy**

Activity	Sector Employment		Annual growth 1967-1988
	As a share of total employment 1967	1988	
Service sector	59.4	70.9	3.4
Producer and circulation	19.7	23.0	3.2
Consumer	21.7	25.7	3.3
Public	18.0	22.2	3.5
Goods sector	40.6	29.1	0.9
Primary industries	10.3	6.0	-0.1
Manufacturing	23.9	17.2	0.9
Construction	6.5	5.9	2.1

Source: Economic Council of Canada 1990

The relative growth of the tertiary sector has been particularly strong in urban areas. The traditional manufacturing base of most North American cities has eroded since the 1970s; the victim of intense global competition and the growing tendency of multinationals to invest overseas (Fainstein 1990; Feagin and Smith 1987, for the European context see Miles and Wyatt 1991; Martin and Rowthorn 1986). In Montreal, for example, 84% of the urban labour force is now employed in service-related activities (Ville de Montreal 1993a). This is a substantial increase from the 59% who were employed in such activities in 1971 (Ville de Montreal 1993b) and it is significantly greater than the Canadian average of 77% (Royal Bank 1993, 1). Through public investments and development incentives, numerous cities have attempted to restructure their economies and alter their land-use

patterns in order to attract and accommodate new economic activities such as advanced corporate services and tourism (Levine 1989; Gottman 1989; Gappert 1989). In simple terms, service industries are increasingly integral to the continued growth and development of urban centres.

Despite the growing importance of tertiary activities there is still much debate over how the service sector should be defined. The broad spectrum of service occupations, from cocktail waitresses to computer software engineers, and the fact that service oriented jobs are dispersed throughout other sectors of the economy, means that the detailed classification and segmentation of tertiary activities is a difficult task. At a broad level there appears to be some agreement that services are those economic activities in which the primary output is intangible (purely comprising labour input) and is consumed when produced (unable to be stored) (Begg 1993; Quinn and Gagnon 1986, 95). Some also argue that services differ from material production in their heavy dependence on constantly evolving, flexibly allocated labour skills (O'Farrell and Hitchins 1990; Wood 1991a). A more critical factor is perhaps the notion that services, especially consumer services, are unproductive and are therefore dependent on productive and wealth-creating goods (Begg 1993, 817). It is this latter point that has had a significant influence on the ways in which economic geographers have attempted to integrate service sector change into their analysis of the evolving structure of contemporary capitalism.

## **1.2 Economic geography and services**

In their attempts to understand the evolving character of developed economic systems economic geographers have traditionally focused on shifts occurring in the goods producing elements of the economy. Where services have been analysed and integrated into analyses of broader processes of economic restructuring certain general trends can be seen. Some research approaches are based on the view that the growth of services is part of an emerging post-industrial economy; with the rise of services seen to partly reflect their status as "superior products" (Miles and Wyatt 1991; Gottman 1983; Bell 1974). It is argued that as discretionary income increases the demand for services will increase, providing much needed employment for those who have lost work due to the increasing automation of manufacturing activities. This approach views 'post-industrial' employment as more rewarding and fulfilling for labour because it demands a higher level of skill. The implication is that those countries with an economy dependent on service activities are more economically advanced than those who rely on manufacturing activities (Price and Blair 1989, 68; Petit 1986). Much of this research has focused on particular elements of the service sector - especially producer services and services that are closely tied to the growth

in information flows and technology. In each of these cases researchers have made an important contribution by raising the overall profile of services, however they have tended to view services as separate from the rest of the economy. They also often fail to recognize the diversity of service activities and the different roles they can play in relation to the changes taking place in the overall economy (Marshall and Wood 1992, 1256).

Other, more recent, approaches view the relative growth of services as a result of the deindustrialization of developed economies and general structural shifts occurring in the manufacturing sector. These Marxist-inspired analyses have, in many cases, evolved from the restructuring thesis put forward by Massey (1984) which is based on the relationship between the organization of production and its interaction with the pre-existing characteristics of a place (Marshall and Wood 1992, 1260). While considered an improvement over earlier frameworks, the restructuring approach is still limited by its inability to explain in detail why and how structural changes are occurring and how they influence the role that services play in broader processes of economic change. As a result several researchers have attempted in recent years to develop a broader and more nuanced theoretical analysis of shifts in contemporary capitalism. These 'new' political economy theories, based on the flexible specialization and french 'regulationist' approaches, argue that a broad based economic and social transformation is occurring in advanced capitalist economies. It is argued that the once dominant framework of production, consumption and state regulation, known as Fordism, is gradually being replaced by a new competitive and organisational period. In response to increased international competition and stagnating economic conditions, flexible production has evolved and is considered the driving force underlying the restructuring of industrial production in many capitalist economies.

Despite the fact that these newer approaches pride themselves on being more holistic and broad ranging in their analysis of contemporary economic change they have continued to largely ignore the role of services. While many of the researchers adopting these new approaches recognize that there has been a rapid growth in service activities they continue to view the modern economy as essentially goods dependent with services providing only a supportive (and sometimes burdensome) role (Allen 1992, 293; Sayer and Walker 1992; Price and Blair 1989, 61; Storper and Walker 1989). This makes it difficult to perceive tertiary activities outside of their relationship to manufacturing (Allen 1992, 293; Marshall and Wood 1992; Gertler 1992; Daniels 1991; Urry 1987). In simple terms while a number of useful overviews of service sector restructuring have emerged in recent years (Marshall and Wood 1992; Allen 1992; Christopherson and Noyelle 1992; Christopherson 1989; Wood 1991a), we still lack the detailed sectoral and firm level studies of service activities

that can provide a basis for furthering our understanding of the evolution of advanced capitalism (Begg 1993, see Milne and Waddington 1994).

The lack of detailed attention that has been paid to the ways in which service activities interact with the surrounding economic environment has created a number of important gaps in our knowledge about tertiary activities themselves, and the ways in which they influence processes of economic change. Not much is known about how services have been influenced by the types of intensifying competition and shifting consumer demand that is argued to have forced secondary manufacturers to alter elements of their past organisational best practice. We know little about the changing organisational structures of services - especially the relative role that small firms and large enterprises will play in the future development of the sector. Similarly there has been a relative absence of detailed research into the dynamics of labour use in tertiary activities despite the fact that such employment dominates developed economies. There are also gaps in our knowledge about the role that new technologies play in shaping the structure and organizational dynamics of services.

It is only by strengthening our knowledge of these issues that we can analyse with any certainty the processes of change that characterise contemporary capitalism. At a fundamental level the manufacturing bias of much of the literature also diminishes our ability to judge the efficacy or otherwise of adopting new 'political economy' theories to explain the broad-based shifts occurring in advanced capitalist economies. As Wood (1991a, 67) notes, "Any representation of modern production change or its social impacts that focuses only on manufacturing.... is.... damagingly incomplete".

In an attempt to account for some of these gaps in our knowledge some geographers have started to focus on service sector development as a catalyst for local economic growth arguing that it is problematic to assume that only manufacturing represents an 'engine of growth' (Allen 1992). Indeed, there has been a growing call for economic geographers to adopt a more 'service-informed' approach in their attempts to understand contemporary economic change. Such an approach emphasises the inter-dependency of services and manufacturing and situates service sector change within the context of economy-wide restructuring, thus providing a more accurate perspective on the changes occurring in contemporary capitalism and their spatial ramifications (Marshall and Wood 1992, 1263).

While those calling for the adoption of a services informed approach are well aware of the dangers inherent in generalising about service sector change based on studies of individual tertiary industries, they nevertheless point to the fact that these types of detailed analyses are a necessary precursor to building a clearer picture of the role that services play in modern economies. Urry (1987, 6), for example, argues that service industries are

extremely diverse and that it is grossly misleading to fail to analyse these differences, while Marshall and Wood (1992, 1266) stress the need to:

clarify the role of individual services in the economy, at different times and places, as a means of developing a 'service-informed' view of structural change.

### **1.3 The research context**

This thesis adopts a services informed approach to understanding the dynamics of change in the Montreal tourism industry and how these may, in turn, influence certain aspects of urban economic development. Because tourism itself comprises so many different sub-sectors, two core components of the industry form the focus of this research - hotels and travel agencies. Hotels are often the central base for tourists visiting a city and therefore influence many of the tourism choices made by the visitor. Travel agencies are the primary intermediary between most travel suppliers and the consumer and therefore they are one of the best indicators of emerging trends in travel supply and demand. Hotels and travel agents are also important sources of employment and revenue for the Montreal economy.

Tourism has become a major component of Western capitalist economies and is one of the quintessential features of modern life (Britton 1991). The industry is a popular development option for urban areas hit by job losses in more 'traditional' economic sectors as it creates employment, stimulates entrepreneurial activity, increases local tax bases and generates new monetary flows through the urban economy (Haywood 1992; Law 1991; 1992). In addition, tourism focuses attention on the history, beauty and entertainment qualities of the city; providing a sense of identity and civic pride among residents, city managers and entrepreneurs (Ashworth and Tunbridge 1990). As tourism develops, new facilities can also help to create a better environment, some of the benefits of which will be passed on to local residents, and there will be general improvement in the image of the city to would-be investors (Law 1992; Shaw and Williams 1994, 213). Furthermore, by using many of the derelict features abandoned in the economic collapse of other industries, tourism can also be an economic stimulus for inner city areas (Ashworth and Tunbridge 1990, 260).

In Montreal, tourism has always played an important role in economic development. It has become even more significant in recent years as the city has struggled to regain some of its lost economic prominence. The Montreal tourism industry has helped to create a high proportion of new jobs in the city and is now thought to employ over 65 000 people (Broadway 1993, 32). The hotel sector has grown quickly over the last decade, adding



over 4 000 new rooms to the city's supply since the early 1980s (Ville de Montreal 1992), thereby dramatically increasing the demand for hotel employees. The travel agency sector is made up of over 600 retail outlets throughout the greater Montreal area, and is considered one of the fastest growing industries in North America (Lavery and Van Doren 1990, 67).

#### **1.4 Aims and Objectives**

In attempting to gain a better understanding of how these two components of the tourism industry have been evolving and how, in turn, these changes may influence processes of urban economic development, the thesis focuses on the following key aims and objectives:

- i. To analyse the competitive context (international, national and local) within which the Montreal hotel and travel agent industries operate, and how this has changed since the late 1970s. The analysis revolves around the impact of recessionary pressures, market saturation, changing consumer demand, new technologies and deregulation on the industries' performance. An understanding of the way in which firms restructure their operations can only be gained through an initial exploration of the competitive pressures to which they are responding. Throughout the discussions I also focus on the important role that the public sector has played in influencing tourism development in the city.
- ii. To study how individual firms, and the hotel and travel agent sectors as a whole, have been affected by this changing environment and how they are responding to it. Emphasis is placed on three key areas of service sector dynamics: changing organisational structure; the use of new technologies, and labour use.
  - a. By focusing on organisational structure I aim to determine what types of affiliations exist among firms and what effects strategies of specialization, market segmentation and networking are having on the competitive success of enterprises. A key issue, which ties in closely with current debates in economic geography, is the likely role that large and small firms will have to play in the future of these industries.
  - b. In studying the use of new technologies in these industries and their impact on various aspects of a corporate operations, I aim to develop a better understanding of several important issues: how differential use of, and access to, new technologies influences the competitiveness of various firm types; how the evolving relationship between workers and technology influences labour market requirements and skill levels; and how new technologies may, in the case of travel agencies, influence the very existence and productive focus of a sector.
  - c. By focusing on labour use, I hope to explore the management techniques that are currently being used and whether they represent a shift from previous approaches. The research focuses mainly on changes in the use of temporary and part-time employees, turnover issues, training, the changing role of middle management and the theme of gender in the workplace.
- iii. To provide a clearer understanding of the ability of new political economy approaches to aid our understanding of the processes of restructuring characterising these two tourism sectors. The research findings will allow me to comment on whether the processes of change identified in much of the manufacturing focused literature are also

occurring in these components of the tourism industry. This in turn allows us to raise the important question of whether or not flexible specialization/regulation school approaches can provide the basis for the development of a more 'services informed' approach to understanding current economic change and its societal implications.

- iv. While the primary focus of this thesis is on the nature of the restructuring occurring in the Montreal hotel and travel agency sectors, I address two further themes in a more tentative fashion in the concluding chapter.
  - a. I discuss some of the economic policy implications that stem from the restructuring occurring in the industries: focusing on labour market issues and the theme of small firm survival.
  - b. I also tease out some broader themes for service sector research that are raised by the findings of the study.

#### **1.4 Thesis outline**

Chapter two outlines recent debates over the changing structure of services and the evolving role they play in advanced industrial economies. Much of the chapter concentrates on the various approaches used to explain the growth of services and includes an explanation of the new political economy frameworks that are currently the focus of much attention in economic geography.

The following chapter builds upon this discussion by focusing on one key element of the service sector, tourism, and how it is being influenced by new competitive pressures. I provide a brief overview of the rather limited attention that has been paid to tourism by economic geographers and then move on to analyse recent attempts (by geographers and others) to improve our understanding of the changing structure of the industry and how this influences processes of economic development. Most of the chapter is dedicated to relating the basic tenets of the 'new' political economy theories outlined in chapter two to the trends identified by previous studies of the tourism industry.

In chapter four I outline the context of the research. I briefly discuss the economic and industrial development of Montreal; focusing primarily on the evolution of the city's tourism infrastructure. I then move on to provide details of the hotel and travel agency sectors and why they were selected for research. In the final sections I outline the methodological approach adopted.

The following two chapters present the empirical findings of the research (chapter 5 - hotels; chapter 5 - travel agencies). In each case I discuss the competitive pressures facing the sectors and the various strategies that companies have adopted in order to respond to the problems and prospects posed by the evolving operational environment. The discussion of corporate restructuring focuses on the key issues of organizational structure, technology and labour use.

The final chapter provides a synthesis of the major research findings and returns to consider the central research objectives. I discuss whether 'new' political economy theories really assist us in gaining a better understanding of the ways in which these branches of the tourism industry are restructuring. I then go on to suggest how my findings may influence future government policy concerning the use of new technologies, and issues of labour. The chapter concludes with an overview of some of the broader implications of service sector change that are raised by the thesis.

## CHAPTER 2

### THE ROLE OF SERVICES - A REVIEW

...modern social science has erred in not paying sufficient attention to various aspects of...services (Urry 1987, 6).

The chapter begins by summarizing some service classification debates within economic geography and an array of other disciplines. The body of the discussion is devoted to reviewing many of the approaches that have been adopted by those studying the service sector and its role in processes of regional economic development. Following Marshall and Wood (1992) this literature review divides the work conducted on services into 'conventional' and 'alternative' approaches. The chapter concludes with a review of the problems and prospects associated with adopting a "service-informed" perspective to studying economic change (Marshall and Wood 1992).

#### 2.1 Defining services

One of the most important obstacles to understanding the role of services in economic change is the lack of agreement concerning their definition. This leads to confusion over the role services play in the economy and is one reason why services have received relatively limited theoretical and analytical attention when compared to the manufacturing sector. Several service classification schemes have been developed ranging from relatively simple dualistic approaches to complicated categorisations based on industry specific criteria.

One of the simplest classifications is the splitting of tertiary activities into producer and consumer services - depending on the final consumer of the service (business or individual). Allen (1988) broadened this simple classification by adding a third category, circulation services, including transportation and telecommunications. One of the most widely used frameworks divides tertiary activities into 4 categories: producer; distributive or circulation; personal or consumer; and social or public services (see Miles and Wyatt 1991, 19; Wood 1991a; Myles 1991). The classification procedure has become more complex as new bases for categorisation have been introduced. For example, Drucker (1991, 76) categorizes services by the productive performance a given job represents. This results in three categories of occupations which cut across sectoral boundaries: the *quality* performance grouping where the quantity of output is secondary to the quality (eg. knowledge intensive service jobs such as scientists, politicians and editors); jobs in which *quality and quantity* constitute performance including most knowledge and service jobs like sales clerks, nurses, and waiters; and finally, those service jobs that are defined by *quantity* only like filing, making hospital beds and handling death claims.

This lack of consensus over how to define the service sector is evident in attempts by Canadian public sector bodies to map out and explain shifting employment structures in the country. Statistics Canada, for example, relies on a classification that divides services into two major groupings: commercial and non-commercial. Commercial services are further sub-divided into distributive, consumer and producer elements (Figure 2.1). Distributive services are all those businesses involved in the circulation of goods and information. Consumer services are more closely affiliated with the individual while producer services are defined as those service activities that cater mainly to other economic enterprises (Picot 1986; Miles and Wyatt 1991, 13; Allen 1988, 16).

**Figure 2.1: A Classification of Service Activities**

**Commercial Services: Distributive**

Transportation (air, rail, water and ground transport)  
Storage and warehousing  
Communications (radio, TV, cable, telephones, postal and courier services)  
Utilities (electricity, gas, water and sewage)  
Wholesale and retail trade

**Commercial Services: Consumer**

Accommodation and food services (hotels, restaurants, bars, travel agencies etc..)  
Personal services (barber shops, massage therapists, tanning salons, etc..)  
Amusement and recreational services (theatres, museums, sporting events, etc..)  
Miscellaneous services (laundries, cleaners, funeral services, rental agencies, etc.)

**Commercial Services: Producer**

Business services (accounting, engineering, legal or management consulting, etc..)  
Financial services (banks, trust companies, credit unions, mortgage firms, etc..)  
Insurance companies  
Real estate operators

**Non-Commercial Services**

Education services (schools, colleges, universities, libraries, archives, etc..)  
Health and welfare services (medical labs, hospitals, social workers, daycare, etc..)  
Religious organizations (churches, synagogues, mosques, etc..)  
Public administration (government)

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Source: Picot 1986

By contrast, the Economic Council of Canada (1990) chose to interpret the service sector in a different way by classifying services in terms of their job creation and growth potential. The services are categorized as either *dynamic* services (transportation, finance and business services) which implies that these services are rapidly expanding; *traditional*

services (retail trade and personal services) which implies that these services are somehow stagnant and unchanging; and *nonmarket* services (health, education and government). Clearly this is a biased interpretation of the service sector as some of the so-called *traditional* service industries are, in fact, growing as quickly as many of the *dynamic* services (ISTC 1991). In simple terms, one must be cautious when choosing these types of labels as they may perpetuate false assumptions about the services they categorize.

Several commentators have criticized the expansion of service sector classifications. Sayer and Walker (1992, 58-66) claim that service theorists have created confusion by failing to distinguish between goods and labour services. The basis of their argument is that all useful goods provide a service in the sense that they are fulfilling a need; and that, as a result, all useful labour renders a service. They argue that many of the industries lumped under service headings do not belong there, such as consumer finance or restaurants and hotels. These are seen, instead, to represent goods production or circulation activities. For example, hotels offer shelter, a useful aspect of a building, which is considered a good. Having someone take your money or clean up after you does not represent a service, rather such work is better classified as sales and maintenance. Thus, Sayer and Walker (1992, 61) argue that hotels should be counted partly as manufacturing, partly as retailing, with a residual of labour services. In simple terms this approach views the dominance of goods production in the modern industrial economy as remaining largely unaltered:

What is called the transition to a service economy is best characterized as a widening and deepening of the social and technical divisions of labour, part of a more general process of industrial evolution and capitalist development (Sayer and Walker 1992, 56).

One problem with this interpretation is that it reduces many services to the level of mechanistic production operations - which they are most certainly not (Allen 1992). To address all elements of an evolving capitalist economy in this way downplays the complexity of services and tends to negate the important role that services play in supporting manufacturing activity and the economy as a whole. To look upon a hotel as merely a good with some residual sales and maintenance work disregards the importance of the labour services provided by the smiling front desk clerk, or the efficient maid, who are both a requisite part of any hotel room being sold. Without the contribution of this labour consumers may go elsewhere to receive the hotel service they expect. Indeed, as we shall see, it is often the level of service that is seen as the way to differentiate service activities from one another. In much the same way that 'quality' has come to be a driving force in many parts of the manufacturing sector, there are now many tertiary activities that are

attempting to become 'service driven' in order to gain competitive advantage (Schlesinger and Heskett 1991).

Services do, of course, play an important role in all sectors of the economy and are, in many instances, vital to improving overall levels of economic productivity and competitiveness (Milne et al. 1994). It has been shown that a large proportion of the total value added in many goods producing sectors is created by service activities that are embedded in the product (Quinn and Gagnon 1986; Quinn et al. 1988). In 1987 Canadian goods industries consumed over 30% of the value of services. Similarly it has been estimated that 39 cents of every dollar of goods exported is actually made up of services (mostly R&D, marketing and distribution) (ISTC 1991). Thus, to argue that the growth of services is simply the result of an evolution of the manufacturing sector's needs and organizational strategies negates many of the service-initiated developments of the last 40 years. Perhaps a better interpretation of the relationship between the manufacturing and service sectors is that neither dominates the other, rather they are becoming more closely integrated and co-dependent (Wood 1991a; Allen 1992). In fact, as services become increasingly prevalent in the economy, service-service interactions are beginning to dominate (Townsend 1991; Britton 1990; Goe 1990).

## **2.2 The role of services in economic development**

This review of research into the service sector and its evolving role in developed economies follows Marshall and Wood (1992) by dividing the relevant literature into two groupings. *Conventional* approaches view the growth of service sector employment in terms of shifts in business demand and labour productivity (Marshall and Wood 1992, 1256). That is, as consumer incomes rise, more discretionary spending on higher value goods and services occurs, requiring more complex organization and production techniques. In turn, the amount of manufacturing employment declines due to new technology, but service employment grows due to increased demand and an inability to automate 'personal services' (Marshall and Wood 1992, 1256). These 'post-industrial' approaches have helped to strengthen our knowledge of the locational tendencies of service activities and have raised the profile of tertiary activities. By contrast, *alternative* approaches emphasise the role of capital in creating new forms of production, taking into account the complex relationship between economic and social change and geographic structure (Lovering 1989). They provide a more sophisticated analysis of the diverse character of services and a broader interpretation of the character of structural change (Marshall and Wood 1992, 1255).

### ***2.2.1 Conventional approaches***

There are three broad approaches to service sector research that fall within the conventional grouping: the analysis of producer services, the analysis of services as part of the information economy, and services as explained through the 'geography of enterprise'.

Producer services are seen as being a relevant area of research because of their close relationship with manufacturing. They are theorised to be at the forefront of service employment growth and therefore are considered central to the economic base of many regions (Marshall and Wood 1992, 1257). Much of the empirical work on services conducted by geographers has concentrated on producer services (see Keeble et al. 1991; Marshall 1988; Noyelle and Stanback 1984; Gershuny and Miles 1983), but many of these studies have focused almost purely on the locational dynamics of firms, and on their development as a result of the vertical disintegration of manufacturing firms that increasingly subcontract service-related tasks.

The second conventional approach emphasises the growing importance of an information sector, where the production, exchange and transformation of information is a key function (Marshall and Wood 1992, 1258). This work is, in some ways, a revision of many of the ideas of the early post-industrial theorists (Bell 1974) who believe that we are witnessing an economic transformation toward an information society where service outputs have largely replaced goods production in terms of their economic importance (Marshall and Jaeger 1990). Much of this work concentrates on the development of information technology and how this has changed the distribution, storing and processing of all kinds of information (see Bressand et al. 1989; Castells 1989; Hepworth 1986; Kellerman 1984). Many proponents of this approach argue that information technology will positively impact the future development of many service activities by reducing costs through labour productivity improvements such as the automation of previously routine tasks, leaving the employee free to spend more time with the client (Price and Blair 1989, 62). While some jobs may be lost others will be generated as the development of information and communications technology is predicted to bring about a growth in demand for new services (Marshall and Jaeger 1990, 1341). As a result, it is postulated that new jobs will be more rewarding and skill levels will increase.

The third 'conventional' approach, the 'geography of enterprise', views large firms as the primary drivers of advanced industrial economies. This approach is less clearly defined than the previous two by Marshall and Wood (1992) but is based on the idea that many of the changes occurring in the global economy, like the breaking down of boundaries between services and manufacturing, or the increasing internationalisation of services, are the result of activities of large, increasingly international, conglomerates (for examples see



Enderwick 1989, Daniels 1985, and Marshall 1982). For instance, the hierarchical character of large firms where different layers of management are located in various places can, in turn, shape the location of new services (Marshall and Wood 1992, 1259).

While conventional approaches to service sector research have been useful in encouraging interest in service sector development their contributions to our understanding of the role that tertiary activities play in broader processes of economic change have been rather limited. These works tend to ignore the diverse, overlapping geographies of a variety of services, including public and consumer services, despite the fact that they are of vital economic importance (Urry 1987, 11; Schlesinger and Heskett 1991, 72; Townsend 1991, 314). The approaches outlined above also tend to provide a rather unidimensional perspective on service sector restructuring, often neglecting key factors, such as evolving employment structures, shifting consumer demand, rising levels of global competition and the increasing links between goods and services.

Conventional approaches also have a tendency to generalise from the dynamic of individual services to the entire service sector as a whole (Marshall and Wood 1992, 1263), and to present these results independent of specific historic, national and local circumstances that play such an influential role in the development of regional economic structures (Marshall and Jaeger 1990, 1341). These approaches often downplay the fact that service growth is not only influenced by technological or economic reasons but also by spatially specific social and political developments (Marshall and Jaeger 1990). As a result, there is no 'natural' trajectory from a manufacturing based economy to a service dominated economy, and in fact, there are a number of possible ways that services can develop (Christopherson, 1989, 132).

### **2.2.2 *Alternative approaches***

The first 'alternative' approach to understanding the role that services play in regional economic development draws heavily upon restructuring approaches, which were developed to understand the mechanisms underlying the decline in traditional manufacturing industries. Much of this research has been inspired by Doreen Massey (1978; 1979; 1983; 1984) who focused on the relationship between the organisation of production and the characteristics of particular places in her work on the restructuring of Britain's economy and its regional implications. Massey demonstrated that to understand the processes that produce spatially specific phenomena, like changing regional patterns of employment, it is essential to understand the basic unit of production, the firm (Massey 1978).

Economic pressures that are both national and international in nature, such as shifts in demand, changes in technology and other competitive factors, will force firms to adapt their

scale and methods of production. Individual companies respond to these pressures with three basic approaches (Massey and Meegan 1982, 127). Firms can intensify production without changing technology by, for example, implementing new forms of labour force organisation. They can introduce technical changes in production or, lastly, they can rationalise (i.e. cut back or close) existing capacity. Each of these will in turn create impacts of a spatial and aspatial nature. For example, the impact of intensification is confined to existing factories; there is no significant new investment, or expansion of employment and no plant closure. Rationalisation does not involve new investment either, and all changes in employment are confined to the existing range of plants. However, due to plant closure, there is a greater possibility of geographical variability between locations than is the case during intensification. On the other hand, employment change can result when technical change is the dominant form of restructuring and it is not limited to the existing geographical structure. It is, therefore, possible to find overall sectoral employment decline linked with considerable job mobility. It is these impacts which can alter the locational and labour requirements of production, and which may lead to new spatial patterns of production and employment.

Using the concept of spatial divisions of labour, Massey's later work develops the theme that the differential distribution of factors such as labour force and community characteristics may engender a locational response from capital (Massey 1984). In other words, while it is necessary to recognise that production characteristics influence location, so too does spatial organisation (of social relations) impact upon changing production, occupational and social structures. This is especially the case in an age of increasingly mobile firms when capital is more able than ever before to take advantage of spatially differentiated social relations while labour remains relatively immobile.

The major criticisms of Massey's work are that it tends to underestimate the range of responses that are available to capital, and that it places too great an emphasis on competition based only on price, and not enough on other strategic initiatives, such as product innovation (Sayer 1985). Emphasis on the reduction of production costs must be seen as only one strategy through which the goal of increased profitability can be met (Milne 1989, 56).

While Massey paid little explicit attention to the service sector in her work of the early 1980's, sporadic attempts have since been made to apply the restructuring approach to the study of tertiary activities (Townsend 1991; Pinch 1989; Allen 1988; Urry 1987). This work has made a number of important contributions. It has raised our awareness of the need not to treat services as one homogeneous mass. Instead the initial focus should be on the dynamics and interactions of individual services. This type of research has also

increased the recognition that the development of specific services is strongly influenced by their location (Allen 1988, 1992; Townsend 1991; Wood 1991a; Marshall and Jaeger 1990). For example, government policy may encourage or inhibit the investment of specific service activities, or a metropolitan area may be preferable for some types of service firms that need to be close to other service and manufacturing clients. Furthermore, the restructuring approach has revealed the increasingly polarised nature of service employment. This has resulted from a rise in a 'service class' of professional and technical workers, and a parallel increase in casual and less-skilled service work (McDowell 1991a, 1991b; Christopherson 1989; Allen 1988).

The restructuring approach has made an important contribution to research on the service sector but it does little to aid our understanding of the current socio-economic dynamics that are propelling these changes, and it does not explain the full range of strategies used by management to bring about the changes adopted by individual service industries (Marshall and Wood 1992, 1261; Lovering 1989). Finally, most of this work still emphasizes the restructuring of manufacturing production as the primary instigator in economic change, and therefore, services are still only considered as a supporting or dependent feature in economic transformation (see for example Massey 1984; Scott 1988).

### **2.2.3 'New' political economy approaches**

The second set of alternative approaches have emerged from the same theoretical background as the restructuring literature but are considered to be more holistic in their attempts to understand economic processes and the broader social changes that are linked to them (Marshall and Wood 1992). The most important contributions are the flexible specialization thesis, derived from the work of Piore and Sabel (1984), and the body of work dealing with shifting regimes of accumulation and modes of regulation - drawn from the French Regulation school (Aglietta 1979; Lipietz 1986; Hirst and Zeitlin 1991).

Piore and Sabel (1984) argue that the 1970s and 1980s were a major turning point in industrial history when mass production was abandoned in favour of flexible specialization. The authors argue that mass production, the dominant form of production throughout most of the 20th century, is in terminal decline due to a number of regulatory and internal production problems. Primary among these problems are the increasing difficulties associated with maintaining productivity growth using scale economies, and an increasing saturation and fragmentation of consumer markets (Teague 1990, 34). Flexible specialization strategies were heralded for encouraging the growth of smaller, more flexible firms that would provide a greater variety and quality of goods and service, and would employ relatively high skilled craft workers.

Flexible specialization represents a modern form of craft production. It is characterized by highly volatile and segmented markets. As a consequence, flexible firms must be capable of switching quickly from one market niche to another. It is also characterized by new technological methods and innovations in order to achieve the necessary flexibility to survive. Furthermore, there is constant interaction between enterprises and external economic or commercial networks that allow for increased innovation without harmful forms of price competition. Workers under flexible specialisation methods are required to be multiskilled and highly adaptable.

Recently though, commentators have argued that flexible specialisation will also be characterised by the continued existence of large, oligopolistic firms alongside smaller enterprises (Martinelli and Schoenberger 1991; Milne and Tufts 1993). The keys to flexible specialization lie in the capacity and intelligence of companies to reap synergies, systems gains and scope economies; and their possession of production and organizational flexibility - characteristics which are not at all unique to small size (Poon 1990, 109). In addition, advances in technology have allowed large firms to be more flexible in the variety of products they produce, and to achieve better quality without losing their economies of scale (Martinelli and Schoenberger 1991). Consequently, the quality and calibre of managerial personnel, the development of network economies, competitive strategies, innovations, and the development of new technologies are far more important to the success of flexibly specialized firms than such 'static' endowments as tradition and small size (Poon 1990).

The other highly regarded body of theory is drawn from the French Regulation School whose researchers analyze advanced capitalist economies in terms of a series of distinct historical stages - each differing in production organisation, patterns of consumption, and forms of state regulation. Each historical phase is characterised by a dominant regime of accumulation which reflects the relationship between production and consumption (Hirst and Zeitlin 1991, 18; Norcliffe 1993). Each phase also requires some form of institutional regulation in order to allow accumulation to be sustained - this is known as the mode of regulation.

According to the French Regulation School there have been four major regimes of accumulation in the history of capitalism: extensive accumulation; intensive accumulation without mass consumption; intensive accumulation with mass consumption known as Fordism; and the emergent post-Fordist regime. Fordism is considered to have been a relatively prosperous era with productivity levels in manufacturing growing on the basis of shifts in organizational strategies. Based upon principles of scientific management and Taylorism (Taylor 1947), Fordist organisational strategies revolved around mechanized

moving assembly lines and the rationalized flow of materials with pre-set labour tasks embedded in a highly fragmented and rigid division of labour (Wood 1988; Braverman 1974; Norcliffe 1993, 196). As productivity began to increase, a rise in the real incomes of the expanding middle class occurred. This resulted in a growing market for goods, changes in socio-demographic patterns (eg. dual-income families, fewer children), increased investment and a growth in consumer goods production (Benko and Dunford 1991, 10).

Some of the main characteristics of Fordism included the dominance of mass-production techniques producing standardized products through dedicated machines and deskilled workers (Dunford and Benko 1991, 288). Mass consumption was the counterpart to this organisational 'best practice' - allowing the absorption of the large standardized output that flowed from Fordist producers. Relative labour peace was achieved by linking wage increases to productivity growth while rising levels of consumption were reinforced and sustained by the emergence of the Keynesian welfare state (Schoenberger 1988; Leborgne and Lipietz 1991, 30).

Jessop (1992, 27) a follower of the Regulation school, suggests that the best definition of Fordism is that of a distinctive mode of social regulation, since neither Fordist mass production and mass consumption were ever widespread enough to claim that they typified the post-war years. He does however argue that there was a general movement toward three basic features of the Fordist mode of regulation: collective bargaining among key groups of workers based on productivity; Keynesian economic intervention by the state to secure full employment within the national economy; and social welfare policies that served to generalise norms of mass consumption. There were national variations in how far these features developed, their timing and their forms.

According to Regulation theory, the crisis which led to the demise of Fordism was caused by two leading factors. The first was a supply-side crisis caused by decreasing rates of profit. The second was a demand-side crisis caused by the growing internationalisation of production which resulted in a weakening link between national growth and demand (Dunford and Benko 1991, 288; Benko and Dunford 1991, 10; Hirst and Zeitlin 1991). Leborgne and Lipietz (1991) have outlined several phases leading up to the crisis. The first sign of real problems began in the late 1960s when productivity gains began to slow despite increases in the capital-output ratio. As a result, rates of profit fell and unemployment began to rise: placing increased pressure on the welfare state. The 1973 oil crisis helped to accelerate this series of events, but until 1979 welfare provisions and government intervention worked to sustain a relatively healthy economy. By 1979 it was recognised that the 'Keynesian' policies of previous years were not restoring profit levels.

From 1979 to 1982 there was a decision to reduce wages and dismantle the welfare state adding to global recessionary pressures. In addition, unionization and labour conflict rose during the 1970s (Milne 1989, 12).

Regulation theorists claim that although Fordism has been in a crisis both as an accumulation regime and a mode of regulation, it is unlikely to be succeeded by the types of flexibly specialised craft production lionized by Piore and Sabel. Jessop (1992, 40) claims that the new 'post-Fordist' or 'flexible' regime of accumulation will revolve around the exploitation of new technologies; new forms of competition and internationalisation; new kinds of corporate organisation which combine financial and strategic centralisation with various forms of vertical disintegration; new types of state intervention in economic and social matters; and new forms of labour relations and labour market use.

Despite their different interpretations of key issues both of these 'new' political economy theories share many common characteristics. Both are based on the notion that a radical process of industrial restructuring and societal change is occurring, with past organizational 'best practice' being superseded by new, more flexible forms of activity (Sayer and Walker 1992; Jessop 1992; Teague 1990).

While the defining characteristics of flexible production have been widely debated some consensus has emerged (Figure 2.2). Essentially, flexibility is based on the more flexible use of technology and workers; new inter-firm relations; flexible relations with the market; and free-market approaches that emphasise a breakdown of the welfare state (Gertler 1992; Schoenberger 1988). The basis of flexible production is the flexible use of technology so that one unit can be used for multiple tasks by programming its configurations to produce new products as demand warrants it.

Flexible labour methods are used to reduce a firm's labour costs and improve performance. One of the most commonly used models is Atkinson's (1984) which describes the flexible workforce as divided into a smaller but more highly skilled 'core' grouping, and a less-skilled but larger 'peripheral' grouping. Among 'peripheral' workers are those who work only part-time or temporarily. These workers provide the firm with numerical labour flexibility - the ability to alter numbers as demand dictates. Core workers are more highly skilled, more highly paid, and work full-time. The latter grouping tend to be more functionally flexible than their peripheral counterparts. Furthermore, employment relations in the 'new' political economy are influenced by a weakened labour movement and localized wage determination.

The changing organizational structure of flexible firms is characterized, in part, by the development of new firm relations. There is increased use of networking, subcontracting and segmentation strategies among firms of all sizes. Furthermore, flexible firms are aware

**Figure 2.2: Fordism & Flexibility**

	<b>Fordism</b>	<b>Flexibility</b>
1. Production concept	Mass production economies through fixed capital; economies of scale	Based on flexible automation; economies of scope
2. Technology	Machinery purpose built and dedicated, R&D functionally separate and discontinuous	General purpose adaptable machinery, importance of design
3. Products	Limited range of standardized products	Product variety and specialization, "niche" markets
4. Inputs	Materials are energy-intensive	Materials are energy-saving and information intensive
5. Work process and skills	Fragmented and standardized tasks, strict division between mental and manual labour. Semi-skilled workers	Open-ended tasks, decentralized responsibility, integration of manual and mental tasks, core of multi-skilled linked to subcontract and semi-skilled labour
6. Payment system	Rate for the job, formalized pay bargaining	Payment for person, more informal wage settlement
7. Organization and management	Managerial hierarchies, centralization, multi-divisional corporation	Flatter hierarchies, centralized management information systems with decentralized production, networks, subcontracting
8. Markets and consumers	Domination of manufacturers over retailers, of producers over users, one-way relations, mass advertising	Domination of retailing, two-way relations between customers and manufacturer, firm rather than product advertising
9. Suppliers	Stocks held "just in case"	Stocks arrive "just in time"
10. Competitive strategy	Competition through cost-cutting, tends to over-production	Competition through innovation, responds through subcontracting or layoff
11. Spatial	NIDL (New International Division of Labour)	Reorganized international division of labour, increasing role for regional economies.
12. Size of firm	Dominated by large, vertically integrated firms	Growth of small flexible firms, and large, oligopolistic firms offering customized products

Source: Poon 1990; Gertler 1992; Martinell and Schoenberger 1992.

of the constant need to respond to changes in demand and therefore they tend to provide a wider variety of products with shorter life cycles. Finally, competition among firms is no longer based as much on price, but is more influenced by innovation, quality and diversity (Figure 2.2).

There has been much criticism and debate concerning the ability of these 'new' political economy theories to address the processes of change affecting contemporary capitalism. The first set of criticisms revolve around the issue of whether Fordism ever existed as a dominant regime of accumulation during the post-war period. Some argue that this is a contentious, if not inaccurate, portrayal of the real situation since mass assembly line production has never accounted for the bulk of either manufacturing output or employment in the industrialised world (Sayer 1989; Sayer and Walker 1992). Furthermore, any evidence of the spread of Fordist principles to nations outside the developed core and to sectors beyond assembly based manufacturing is relatively weak (Tickell and Peck 1992; Hudson 1989; Sayer and Walker 1992, 195). Finally, mass unionization, the productivity wage, and the state-funded social wage did not produce any discernible jump in mass consumption in the mid 20th century; wages and mass consumerism had expanded at a relatively steady pace for the preceding century or more (Sayer and Walker 1992, 195).

A second set of criticisms concern the 'crisis' of Fordism (Sayer 1989; Amin and Robins 1990; Hudson 1989; Teague 1990). Evidence of a relative decline in rates of output and productivity in mass production industries is inconclusive, with some classic mass production industries growing rapidly while others have been declining. Sayer and Walker (1992, 197) propose an alternative interpretation of the 'crisis' claiming that it resulted from market saturation combined with a relative lack of new sectors that could have provided innovative products to stimulate new demand. Furthermore, some commentators argue that the decline in mass markets may not be the result of inefficiencies in Fordist production methods, but could be due to exogenous factors, such as sagging demand, penetration of national markets by the different products of foreign producers, and new product innovation in general (Sayer and Walker 1992, 197; see also Gertler 1988; 1989; 1992).

Other criticisms come from those who feel that the 'new' flexible regime of accumulation is not a clean break from past structures, but is just another variation of previous forms of industrial organization. Amin (1989) has pointed out that some of those theorists who have adopted the regulation approach are wary of describing the emerging regime of accumulation as something completely new, while others are equally careful not to predict any specific organisational outcomes of the changing environment (Lipietz 1987; Leborgne and Lipietz 1988). What may be emerging are new permutations of previous



forms of industrial organization rather than a single trend towards a 'new' set of organizational structures (Lovering 1990; Gertler 1988; Hudson 1989). Indeed, mass production and flexibility need not be considered as alternatives; mass producers are able to increase levels of flexibility and decentralize their operations while smaller firms often improve their efficiency through the introduction of new technologies (Amin and Robins 1990; Sayer 1989; Tickell and Peck 1992). Many commentators argue that mass production is alive and well, and that much of the literature on post-Fordism is long on speculation and short on coherence because it is based only on selected examples whose spatial, sectoral and temporal specificity is rarely acknowledged (Sayer and Walker 1992; Cohen and Zysman 1987; Gertler 1992; Teague 1990).

Further criticism stems from the dangers of theorizing about the development of industrial capital as though changes in its character result simply from factors endogenous to industry, ignoring the influence of local conditions (Norcliffe 1993; 1994). Despite the fact that Regulation school theorists pay a great deal of lip-service to variations in regulatory systems and how they will influence productive activity, these elements remain some of the most tentative and poorly developed aspects of the theoretical framework (Tickell and Peck 1992). Differences in the economic, technological, urban, political, and cultural context as well as the size of a country and its population distribution, the structure of the urban hierarchy and the dominance of big business and its influence on the national economy, can all help to shape the nature of restructuring in any location (Marshall and Jaeger 1990; Sayer and Walker 1992; Norcliffe 1993; 1994; Marshall and Jaeger 1990).

A further criticism of this body of work, and its ability to comprehend current economic change, is the fact that much of the research has focused on the manufacturing sector, largely ignoring the growing dynamics of services. Often when tertiary activities are mentioned, they are seen as secondary in importance to manufacturing industries. The latter are considered to be the core of capitalist economies, acting as the primary instigators of economic change. For example, Sayer and Walker (1992, 104) claim that,

the economy can still be characterized in classical terms as a system dominated by industrial production, whose outputs come mostly as tangible goods: goods circulating primarily as commodities, accompanied by the circulation of money; produced by human beings with the help of machines, technical knowledge and rational organization; and consumed by the various classes of society...the proliferation of so-called service sectors and service occupations can be explained in terms of burgeoning social and technical divisions of labour throughout the industrial system.

The manufacturing bias of economic research has had an important impact on current analysis of economic change (Christopherson 1989, 132). For example, there has been a greater emphasis on the coordination of inputs rather than the distribution of outputs. There has been greater attention given to firm and inter-firm links than to the role and character of establishments or worksites within firms. Perhaps the major weakness of the 'new' political economy theories is their tendency to explain the evolving dynamics of tertiary activities purely in relation to shifts within manufacturing. For example, when services are acknowledged, researchers focus mainly on producer services - most notably business and financial services - because they are seen to be more closely linked to manufacturing industries and are therefore often considered 'dynamic' or 'high-end' services, implying that they are of greater importance to advanced economies. This research fails to address the importance of other service activities such as consumer or public services, which can be just as dynamic as producer services (Marshall and Wood 1992, 1263).

The growing prominence of service activities poses a serious challenge for studies of urban and regional development which, until recently, have been dominated by models of change that are based on the manufacturing sector as the primary engine of growth (Marshall and Wood 1992, 1255).

Despite the criticisms that surround many of the ideas of the 'new' political economy approaches, many commentators are borrowing from these frameworks in their attempts to understand the changing structure of the service sector and its evolving role in developed economies (Wood 1991b; Coffey 1992). 'New' political economy theories represent a step forward from the earlier approaches previously described because they incorporate broader processes of structural change, resulting in a more holistic interpretation of the current economic situation. Due to the wider variety of issues that are addressed by these theories they can perhaps help to explain processes of service sector restructuring, and provide a possible framework for understanding the dynamics of service-driven change. Nevertheless, the manufacturing bias of the work and the limited number of empirical studies that have focused on service issues leave many commentators unsure about the efficacy of adopting post-Fordist frameworks in attempts to explain current economic change (Christopherson and Noyelle 1992; Milne et al. 1994).

### **2.3 Towards a service-informed approach?**

The lack of detailed attention that has been paid to the ways in which service activities are restructuring and how, in turn, they interact with the surrounding economic environment has created a number of important gaps in our knowledge and has allowed

certain 'myths' about tertiary activities to go unchallenged. Researchers have rarely addressed the fact that services can provide manufacturing industries with the tools to become more efficient and better able to respond quickly to shifting consumer demands (Marshall and Wood 1992; Wood 1991a; 1991b). Some critics complain that with job losses in manufacturing, the economy is becoming one of hamburger flippers and sales clerks, but services have also created many high paying jobs in such highly skilled areas as telecommunications, research and development, and financial services. Services actually represent elements of the economy that are often essential for achieving broader flexibility (Coffey 1992; Wood 1991a, 1991b; Allen 1992).

Services are also often considered to be low-value added activities yet some tertiary activities add value to their final outputs at comparable or higher rates than their product-oriented counterparts (Quinn and Gagnon 1986). Because services are labour intensive it has also been assumed that capital investment will be limited. Evidence from Canada shows, however, that the service sector as a whole is at least as capital intensive as the manufacturing sector, especially in the transportation, communication and financial segments (Royal Bank 1993). In addition, there are service companies of sufficient scale to be sophisticated buyers and producers of technology (Quinn and Gagnon 1986; Schlesinger and Heskett 1991). A final myth is that services are unproductive and inefficient, yet some service industries have experienced productivity increases great enough to fuel local growth in per capita income (Townsend 1991; Magnet 1993; ISTC 1991).

In an attempt to account for some of these gaps in our knowledge a growing group of geographers have started to focus on service sector development as a catalyst for local economic growth. Townsend (1991, 316), calls for a greater examination of specific services and their contributions to regional economies. He argues that service growth may be the best route for local economic development because tertiary activities do not need to be located in the same place as material production, and therefore, they may be as good as other industrial sectors in maximising local economic activity and income. Allen (1992, 302) agrees that it is problematic to assume that only manufacturing represents an 'engine of growth'. As local economies lose their manufacturing base they need to find new industries to generate employment and income. As a result, it is more important than ever to develop a framework suitable for understanding the relationship between service growth and structural change.

It has recently been suggested that a 'service-informed' approach to economic geography research, which emphasises the inter-dependency of services and manufacturing and situates service sector change within the context of economy-wide restructuring, may provide a more accurate perspective on the changes occurring in contemporary capitalism and their spatial ramifications (Marshall and Wood 1992, 1263).

Marshall and Wood (1992) do not spell out any specific framework for their service-informed approach, but they do call for greater empirical research on services. As suggested previously, post-Fordist theories may represent a possible step forward in understanding services if some of their manufacturing bias is reduced. To do that, an explicit recognition of how services differ from manufacturing is needed. For example, how, among other things, do services differ from manufacturing in their use of technology and labour?. Services have been recognized as being highly capital intensive but, unlike manufacturing, this does not necessarily reduce their reliance on labour, though it can change skill requirements (Marshall and Wood 1992, 1265; Wood 1991a, 71). Since services use technology differently than many manufacturing firms, alternative methods for analyzing labour performance are also required. Measuring levels of productivity, using traditional manufacturing approaches, denies the importance of the workers who are in direct contact with customers - whose central role is in encouraging customer satisfaction. In fact, the more that technology becomes a standard part of services, the more important personal interactions are in satisfying customers needs and differentiating competitors (Schlesinger and Heskett 1991, 74).

Because different services influence economic change in a variety of ways the role of individual tertiary activities in the economy (at different times and in different places) must be clarified in order to develop a 'service-informed' view of structural change (Marshall and Wood 1992, 1266). The ability of post-Fordist theories to provide a detailed understanding of service activity needs to be empirically tested in order to gain a basic understanding of whether such theories can adequately explain the many changes taking place in the tertiary sector. This thesis aims to address this issue by providing a detailed empirical investigation of how key elements of post-Fordist frameworks relate to two tourism sectors. Before discussing the results of the research an overview of changes influencing the tourism industry as a whole is provided in the following chapter.

## **CHAPTER 3**

### **THE CHANGING TOURISM INDUSTRY - AN OVERVIEW**

...vital elements of the study of travel and tourism...are dealt with in descriptive and weakly theorised ways. This is a major problem for the advancement of the geographic study of tourism. Geographers working in the field have been reluctant to recognise explicitly the capitalistic nature of the phenomenon they are researching...This problem is of fundamental importance as it has meant an absence of an adequate theoretical foundation for our understanding of the dynamics of the industry...(Britton 1991, 451).

I begin with a brief overview of the tourism industry's many components and then review recent attempts to theorise the changing structure of the industry and the role it plays in economic development. I focus on the key themes alluded to in the aims and objectives section: the competitive environment, shifts in the organizational structure of the tourism industry, the influence of technology, and changing labour use. The final section of the chapter returns to the 'new' political economy frameworks outlined in the previous chapter and reviews their ability to aid our understanding of the current processes of change affecting this branch of the service sector.

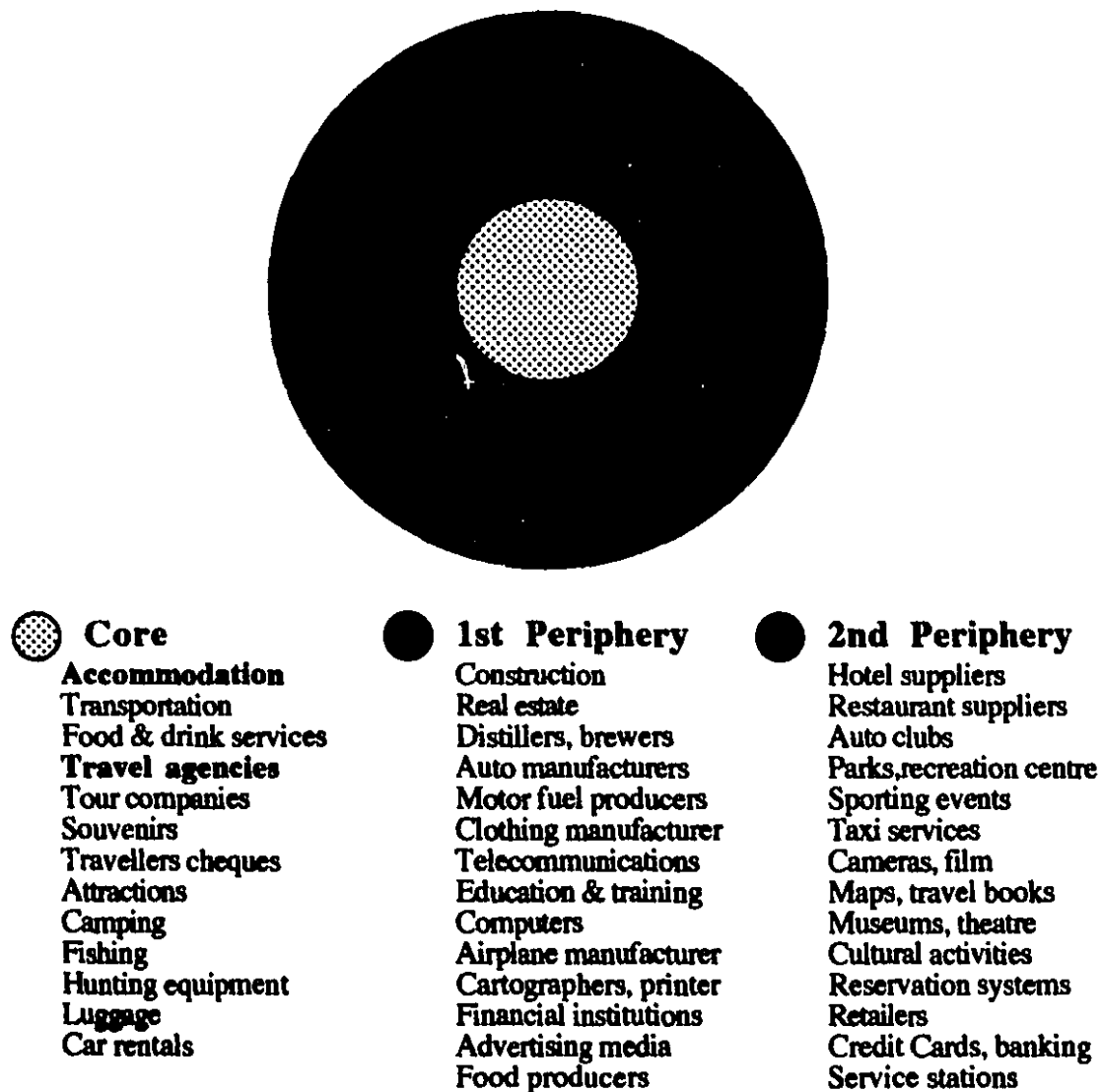
#### **3.1 The tourism industry - a brief overview**

Tourism is a complex and often misunderstood industry representing a range of enterprises from hotels and souvenir shops to airlines and travel agencies each of which produce distinct services and goods for incorporation into tourist 'products' (Economist 1991, 4; Britton 1991, 456; Mullins 1991). Tourism Canada has attempted to account for this diversity by developing a model that divides the various components of the industry into three groups according to their dependence on tourism revenue (Figure 3.1). Those activities considered core to the tourism industry, such as accommodations, transportation and souvenirs, rely almost exclusively on tourists for their income. As one moves away from the centre, the reliance on tourists as a source of revenue becomes less important. In the first periphery, activities such as construction, clothing and distillers have an important part to play in supplying the tourism industry, but tourism is not their primary source of income. In the second periphery are those activities, such as sporting events, film processing stores and retailers, that benefit from tourism but regard tourists as only a minor source of revenue (Figure 3.1).

Clearly many 'tourism' activities, are also widely used by the local population - only adding to the complications inherent in trying to determine the industry's economic impacts (Richter 1987, 221; WTO 1990). Most tourism products, as is the case with many service

outputs, tend to be produced and consumed simultaneously. Once the product is consumed it no longer exists, the only remaining value being the memory of the experience, and therefore tourist services can never be exactly reproduced.

**Figure 3.1: Defining the Tourism Industry**



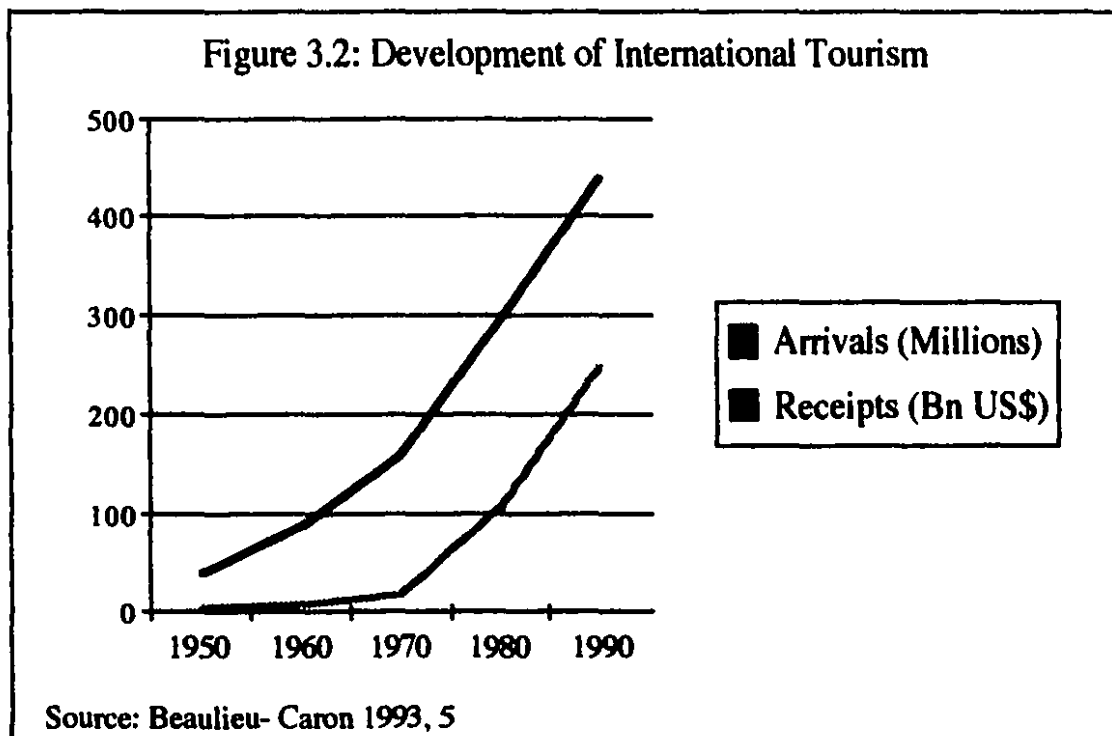
Source: Tourism Canada 1990

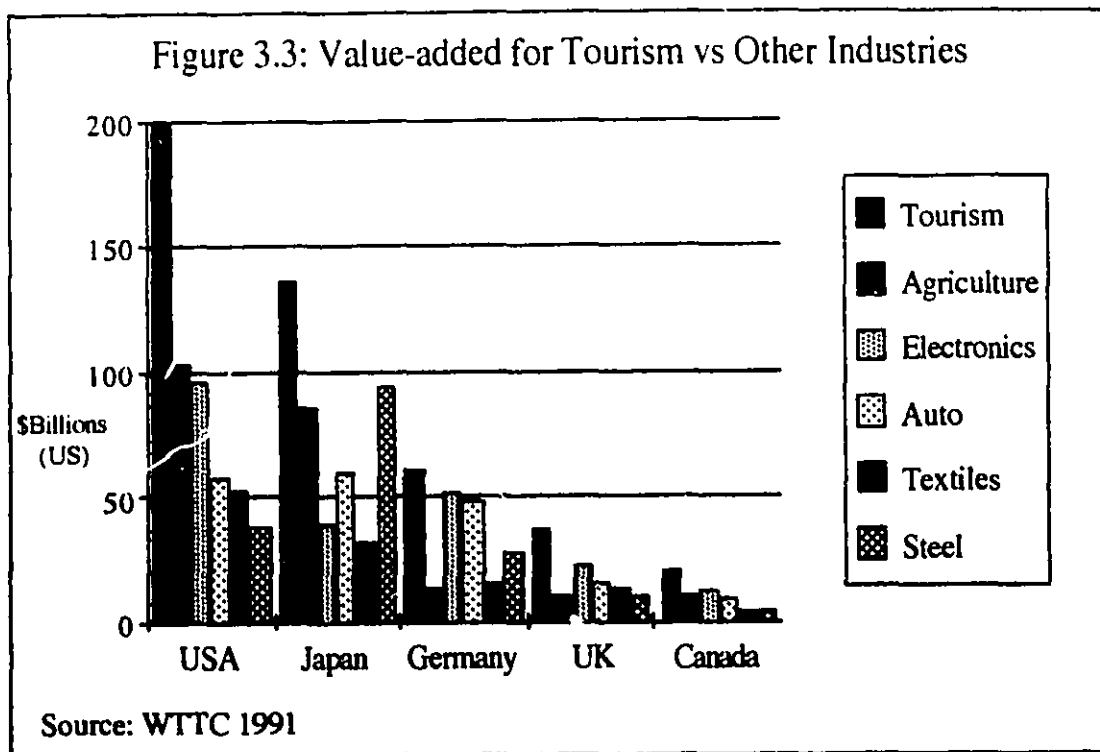
Tourism rose to international economic significance in the late 1950s with the development of 'mass' forms of travel packaging and new transport technologies. The sustained increases in economic productivity and discretionary incomes that characterised developed nations during the post-WWII period, together with the continued division of peoples lives into 'leisure' and 'work' components, fuelled this growth in the industry

(Richter 1987, 216). New social attitudes also began to predominate with consumers increasingly viewing travel and leisure as a right rather than a privilege (WTO 1990).

The growth of international tourism has been astounding. The number of international travellers increased from 60 million in 1960 to an estimated 411 million in 1990, and is expected to reach 600 million by the year 2000 (Bodlender 1990, 247; Gouirand 1993, 22) (Figure 3.2). The WTO (1990, 3) estimates that the \$2.4 trillion contribution of travel and tourism to the world economy in 1989 was equivalent to 12% of global GNP; over 5% of global sales of all goods and services; and 15% of global service sector sales. Added to this is the fact that domestic tourism is estimated to involve ten times the number of people travelling internationally (Economist 1991, 4). In many nations, tourism provides higher value-added figures than those found in key manufacturing activities (Figure 3.3). Indeed some argue that it is the world's largest industry employing one in fifteen people worldwide (Tourism Canada 1990; WTTC 1991; WTO 1990). Tourism also helps to support the development of basic infrastructure, it stimulates complementary industries through indirect multiplier effects, and promotes foreign investment (WTTC 1991, 23; Price and Blair 1989, 67).

In Canada, international and domestic tourism generated \$25 billion in revenue in 1990, with the former growing to become the nation's third largest source of foreign exchange. The industry employs 632,000 people (Tourism Canada 1990; 1991). Tourism





employment in Canada grew at an annual rate of 4% between 1975 and 1989, surpassing the growth rates of all major industrial sectors (Tourism Canada 1991; Wickens 1991; Heinrich 1994b). In Quebec, tourism also plays a significant role, with the industry generating revenues of over \$4 billion or 2.5% of GPP in 1990. Due to the \$1.1 billion generated from international markets, tourism has become the province's fifth most important source of foreign exchange, placing it ahead of the food processing and textile industries and hydro-electric power generation (Tourism Canada and Tourisme Quebec 1992; Cluzeau 1991; Tourisme Quebec 1992). The industry employs approximately 225,000 people across the province (Cluzeau 1991). Approximately 80% of the tourism industry is made up of small and medium-sized businesses that are locally owned (Tourisme Quebec 1992, 5).

### 3.2 The evolving tourism industry - theoretical perspectives

Economic geographers have conducted relatively little research on the tourism industry and its role in regional economies. There are exceptions, such as Townsend (1991, 316) who hints at the ability of new forms of tourism establishments to either displace income and jobs, or provide additions to the economic base, depending on the local strategy of economic development. Townsend (1992) expands on these ideas by focussing on the geographic distribution of tourism employment growth in the 1980s throughout Britain.



He finds that older tourism areas of Britain, such as seaside resorts, have experienced reductions in their tourism employment as new forms of 'heritage' and 'historic' tourism destinations have evolved. Another economic geographer, Allen (1992), agrees with Townsend's analysis and argues that local tourism development tends to be uneven, with some areas benefiting much more than others. However, Allen (1992) also points out that making generalizations about tourism growth is risky due to the diverse ways in which cities and regions promote their areas, and the different scale of companies involved in local tourism development.

Similar findings are drawn by Bull and Church (1994) who examine employment growth in the British hotel and catering sectors. By analysing a particular tourism sector, Bull and Church are among the first economic geographers to realize that tourism is made up of many different sectors and therefore, that it is difficult to accurately analyse tourism as one industry, a weakness inherent in both Townsend's (1991;1992) and Allen's (1992) work. Bull and Church (1994) have also broadened the analysis of tourism and regional development by further strengthening our knowledge of how the spatial outcomes of tourism employment growth are influenced by shifting consumer demand.

While this body of work is to be welcomed for its incorporation of tourism into economic geography discourse, it largely fails to add to our understanding of the role that corporate restructuring in tourism can influence regional economic development. The studies cited above focus on the spatial distribution of tourism employment growth (or in the case of Bull and Church (1994) hotel and catering employment growth) across Britain and how this contributes to the uneven development of the British economy. None of the work addresses the possibility that firm-specific changes may have influenced the research findings. While Allen (1992) does briefly discuss the influence of tourism enterprises on a region's development, only Bull and Church (1994) call for further supply-side research to understand the interactions between different elements of the hotel and catering sectors, and the evolving spatial division of labour.

Tourism geographers have, on the other hand, focused largely on descriptive studies that are concerned with the movement of tourists, resort development, or economic, environmental and socio/cultural impacts (Britton 1991, 451; Pearce 1989; Shaw and Williams 1994). Many of the more theoretical developments in tourism geography have evolved from attempts to understand the spatial and temporal development of resort areas.

One of the earliest attempts to move beyond simple descriptive analyses was made by Butler (1980) who introduced the idea of the tourism area cycle of evolution (TACE). This framework was adapted from the product life cycle - a model that was based on the premise that demand (and hence output) for a particular product follows a pattern of introduction

(low demand), rapid expansion, maturity (growth in demand but at a declining rate), and eventually decline (see Hoover 1948; Vernon 1966; Storper and Walker 1983). The TACE envisages destination areas initially receiving a small number of visitors, due to lack of publicity, and infrastructure. As these preconditions to 'take-off' are fulfilled, destinations receive more tourists until the point where their carrying capacity is reached or exceeded, thereby destroying their attractions and causing a decline in visitor numbers. Control and source of capital, and hence benefit, is envisaged as evolving from local to exogenous actors (Grekin 1994).

The many variants of the product life cycle have been widely criticized by economic geographers as being overly simplistic. They generalize from structural tendencies to real-life results. They also lack empirical support to substantiate many aspects of the model thereby reducing its overall credibility (see Storper and Walker 1983, Storper 1985 and Taylor 1986 for further discussion). While the resort cycle model suffers from an identical array of criticisms it still remains an important model of development in tourism geography.

Tourism geography has also borrowed heavily from theories of economic dependency. These approaches have been used to explain how the structure of the tourism industry can negatively affect the local development of tourism (Britton 1982; Turner and Ash 1975; Hills and Lundgren 1977). Essentially, tourism is seen in some regions as being an exploitative industry because the destination has become dependent on external sources of capital, such as tour operators, travel agencies and airlines who control and benefit from tourist expenditures through their direct dealing with clients. This means that a great deal of tourist expenditure never reaches the tourism destination. It also leads to a loss of local control over tourism development, and often local resentment (see Grekin and Milne 1994 for an overview). These studies conclude that,

The international tourist industry, because of the commercial power held by foreign enterprises, imposes on peripheral destinations a development mode which reinforces dependency on, and vulnerability to, developed countries (Britton 1982, 355).

Dependency theories have largely lost their popular appeal as their weaknesses have been exposed. A major problem is their failure to acknowledge the ability of local forces and actors to influence tourism development and that these forces can be as important as global or external influences (Poon 1988a; Corbridge 1986). They also fail to acknowledge the dynamics of capitalist accumulation in either the local or global arena, often ignoring or down playing the impacts of technology change, shifts in markets and macroeconomic relations, and the emergence of other competitive pressures (Grekin 1994; Lipietz 1987; 1993; Milne 1994).

While such models of tourism development represent important contributions to our understanding of the dynamics of tourism growth in a region, they remain quite limited in their ability to contextualise these shifts. For example, they do not take into account changes in both supply and demand, such as firm-specific changes that may cause a hotel to close or consolidate with another, or shifts in tourists demand for new types of travel destinations (Cooper 1990). They also tend to overlook changes in the overall structure of the tourism industry and rising competition from other areas (Debbage 1990). As a result, such models provide little understanding of how the evolving structure of the tourism industry has influenced regional development. A further critical shortcoming of these approaches is their inability to formulate workable strategies that might allow destinations to escape the resort life cycle or dependent tourism development (Opperman 1993).

Britton (1991) recognized this when he expressed growing concern about the inability of current tourism theory to grapple with the complex relationship between the evolving structure of the industry and its impact on processes of regional development:

...the geographic study of tourism requires a more rigorous core of theory in order to conceptualise fully its role in capitalist accumulation, its economic dynamics, and its role in creating the materiality and social meaning of places (1991, 452).

While Britton's (1991) call for the development of a new body of tourism theory has not yet been fully answered some progress is being made. Recent years have seen a small group of researchers begin to transfer some of the new political economy approaches outlined in chapter two to tourism research (Poon 1990; Urry 1990; Milne 1992; Peacock 1992; Mullins 1991). The rest of this theoretical discussion of tourism will focus primarily on the work of Poon. One of the most widely published researchers of the group and the author who focuses most explicitly on the public policy implications of economic restructuring in the tourism industry.

Poon (1988a, 1988b, 1989, 1990) argues that the tourism industry is witnessing a shift from 'old' forms of consumer demand and organizational best practice toward new forms. Old or mass, standardised and rigidly packaged (MSRP) tourism, is seen to be giving way to an emergent form of tourism based on flexibility, segmentation and diagonal integration (FSDI). MSRP tourism was created and sustained by a number of favourable features of the post-war WWII period, including: the development of long haul jet passenger aircraft, cheap oil and the enshrining of rigid working times and holiday periods in western culture. Competition was based largely on price with economies of scale achieved through the development of 'mass produced' holidays that package cheap 'sun-lust' destinations.

The performance of new tourism no longer rests solely on economies of scale and the exploitation of mass undifferentiated markets. Under FSDI economies of scope, system gains, segmented markets, and customized holidays are becoming more and more important for profitability and competitiveness (Figure 3.4). Flexibility is found in the organization, production and distribution of travel. The increasing use of information technology plays a major role in facilitating this flexibility in the travel market-place. Segmentation results from, and also facilitates, the breaking up of mass markets into cluster segments who display a diversity of needs and characteristics. Finally, diagonal integration is the process whereby service firms move into new and different activities through alliances and networks. It is postulated that considerable synergies, systems gains, and scope economies can be derived from such integration.

**FIGURE 3.4: The Changing Structure of International Tourism**

<b>Mass, standardized and rigidly-packaged tourism</b>		<b>Flexible, segmented, customized &amp; diagonally integrated tourism</b>
Information technology increases the quality and efficiency of tourism	->	tourism as a 'system' of wealth creation and new services
Jet aircraft, promotional fares, charter flights	->	passenger mix, optimal routing
Sun lust	->	Anti-sun syndrome
Tinsel and junk	->	Real, natural, authentic
'The more the merrier'	->	Growing concern, planning
Vertical and horizontal integration	->	Diagonal integration
Franchises	->	Designed and custom-made
Mass markets	->	Segmentation and niches
Mass, impersonalized services	->	'High tech, high touch'
Scale economies	->	Economies of scope and system gains

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Source: Poon 1989, 93.

This new best practice is 'enabled' by a number of factors including the diffusion of new information technologies (especially computer reservation systems - CRS) throughout

the tourism industry which increase the efficiency, quality, and flexibility with which travel services are supplied. Most significantly such technologies allow different components of the tourism product to be linked together in an efficient and innovative manner. Other 'enabling' factors that have helped to bring about new forms of tourism include deregulation in the airline industry and financial services, the negative impact of mass tourism on host countries, increasing environmental pressures and changing consumer tastes (Poon 1989, 92). Others have also noted some of these changes, such as Peacock (1992) who has commented on the shift in tourist demand towards a new consumer who is more individualistic, and less attracted to mass forms of consumption. Another, Mullins (1991), discusses tourism urbanization (a process of urban development whereby the city, or part of a city, is built exclusively for pleasure) as a 'new' form of tourism development that is characterized by a flexible system of production and caters to both mass and customized demand.

Poon's model of 'new' tourism has some profound implications. She argues that competitors increasingly come from outside the tourism industry as many non-tourism sectors are getting involved in tourism related functions. With new technology, deregulation and various forms of alliances, the 'new' tourism industry is becoming increasingly competitive (Urry 1990; Thompson 1990). Another implication is that suppliers will need to get closer to the consumer in order to understand the complexity of demand. As mentioned previously, many tourism researchers have noted a change in consumer attitudes resulting in a greater diversity of consumer tastes (Peacock 1992; Urry 1990). Furthermore, because of the frequent changes in consumer demand firms will have to quickly match their skills and resources to the market-place (Poon 1989, 101). A final implication is that new information technology, especially CRS, can be vital in influencing a firm or region's competitiveness. Those regions and tourism companies that are under-represented in terms of ownership of, or participation in, these CRS systems will find it more and more difficult to compete in the new tourism environment (Milne 1992).

The parallels of Poon's (1989; 1990) analysis with the 'new' political economy theories outlined in the previous chapter are clear. Many of the previously described tourism developments appear to mirror the structural changes that are perceived to have taken place in manufacturing industries. The major weakness of Poon's approach stems mainly from her focus on tourism as one homogeneous industry. As a result, there is little detailed understanding of changes taking place within particular sectors, nor of any intra firm change, and therefore, we are unaware of how individual firms are responding to the new tourism environment. In fact, the lack of a firm-level focus in their analysis of the tourism industry, is a criticism that can be levelled at almost all the tourism literature cited here.

Poon's (1989;1990) analysis also tends to focus mainly on the impact and flexibility of information technologies and changing organisational structures, but neglects to stress the impacts of changing labour patterns and management techniques which are so important at the firm level (Milne 1992). Furthermore, Poon (1989; 1990) implies that there is a singular shift from old forms of tourism to new forms, yet it is clear that despite the growth of new types of tourism, mass tourism remains alive and well (Shaw and Williams 1994; Economist 1991; Urry 1990). For example, Shaw and Williams (1994, 248) maintain that in the future,

...there will be a strong and still viable market for mass tourism, both from existing participants in this form of leisure and, more importantly, from newer consumers...[and]...there is likely to be a continued growth of...more critical consumers whose leisure interests fall within the realms of green [new] tourism.

As a consequence, Poon's use of a new-old tourism dichotomy appears to hinder our ability to grapple with the variations and complexities that are inherent in the vast tourism industry.

### **3.3 The restructuring of tourism**

Despite the problems inherent in these attempts to apply post-Fordist approaches to the study of tourism, the work of Poon and others does represent an important attempt to create a more rigorous body of theory for the study of tourism and its interactions with regional/national economies. What remains is to build on this work and focus on the firm level changes that are, to a large extent, missing from this analysis. What follows is a review of current trends discussed in the services and tourism literature. I focus on those themes outlined earlier as being key in helping us to understand the evolving service sector: the competitive environment (including the role of government); changing organisational structure; the role of technology; and shifts in labour management.

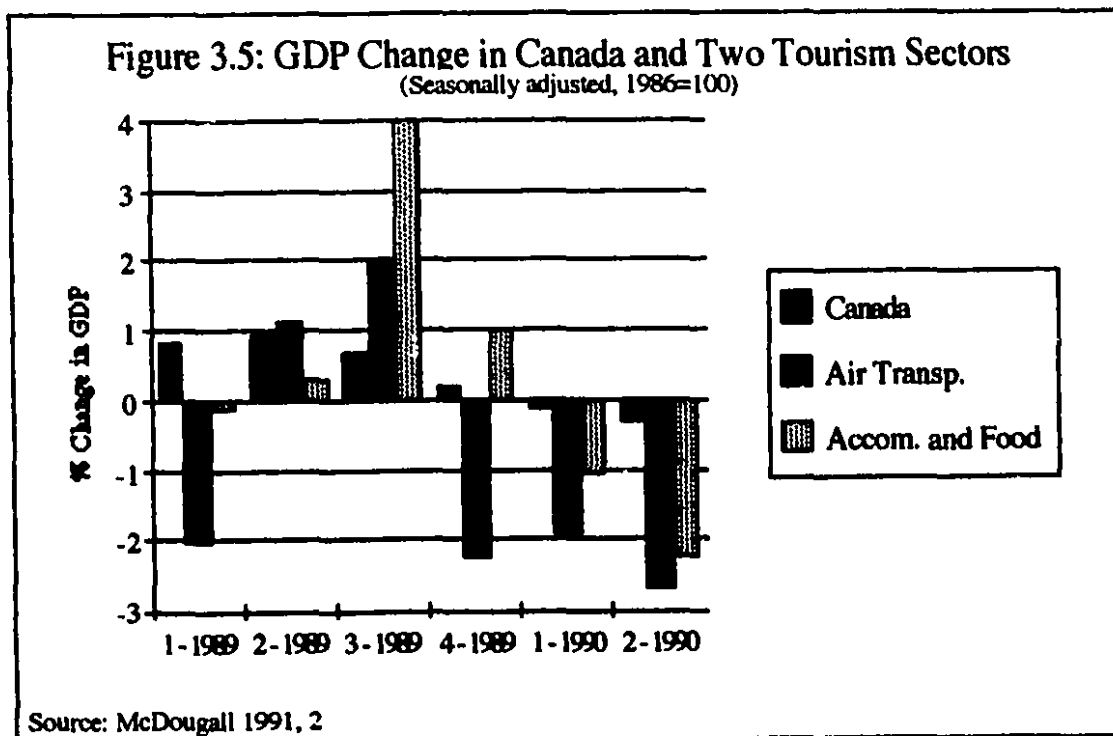
#### **3.3.1 *The competitive environment***

During the 1970s, competition intensified dramatically for many firms as a result of foreign imports, domestic market saturation, and the effects of deregulation on both manufacturing and service industries (Teague 1990; Schoenberger 1988). Furthermore, external economic factors such as the recession, fluctuations in exchange rates, and free trade deals have all contributed to the increasingly competitive global environment.

The service sector has not been immune to many of these competitive pressures. The advent of new technology, the internationalization of markets, increasing cost pressures and trends toward growing concentration via mergers and acquisitions mean that many

tertiary activities are experiencing the type of far reaching restructuring that manufacturing has undergone since the late 1960s (Roach 1991, 88; Howells and Green 1986; Begg 1993, 821). Furthermore, the recession of the 1990s was the first recession to have a truly marked effect on the service sector (Begg 1993, 822). Prior to this recession, the service sector had grown relatively steadily, remaining far more insulated to the fluctuations of the global economy than the manufacturing and primary sectors.

As Canada's GDP decreased during the most recent recession, tourism sectors, such as airlines and accommodation, experienced rapid reductions in revenue that far exceeded the actual drop in the overall economy (Figure 3.5). As a result, consumers became more cautious about spending on travel (McDougall 1991; Go 1990; Fisher and Marescotti 1993; Frechtling 1987; Cockerell 1990) and, in turn, tourism employment dropped by 3.4% during the recession years of 1990-1991 (Chadwick 1992, 1). Employment in these tourism sectors experienced even greater fluctuations than the overall workforce which decreased by only 1.8% (Chadwick 1992, 1) (Figure 3.5).



Competition has also intensified because of pressures within the tourism industry. This is due to a number of factors including the relative ease of entry into certain segments of the industry, and the deregulation of airlines and financial institutions in developed nations (Teoros 1993, 33; Thompson 1990). Also important is the growth of large, multinational tourism suppliers, including companies from other industries that have diversified and

invested into the tourism industry. For example, many financial institutions have expanded their operations to include travel related services such as insurance, traveller's checks and foreign currency exchange (Britton 1991; Lavery and Van Doren 1990).

Despite the tremendous amount of consolidation and the greater concentration of power in the tourism industry, small independent travel companies do still exist. They are able to compete with the larger firms on the basis of their lower overhead costs, and by providing specialized service. They are also able to capitalize on those market segments that are too small to be attractive to large companies. The critical size seems to be the medium-scale and independent firms that will find it difficult to benefit either from individuality or economies of scale (Shaw and Williams 1994, 101; Davidoff and Davidoff 1986). In sum, competition in tourism seems to be characterized by:

Failures, mergers, acquisitions, and diversification [which] are the day-to-day diet of firms involved in the industry. Competitive pressures are intense and economic fluctuations are highly significant to the fortunes of companies... (Thompson 1990, 218).

As noted in chapter 2 it has been suggested that changes in consumer demand are among the major pressures influencing current economic restructuring (Piore and Sabel 1984). Essentially, mass stable markets of the Fordist era are being replaced by highly volatile and differentiated patterns of demand. This radically different commercial environment necessitates that firms be adaptable, capable of switching almost automatically from one market to another (Teague 1990, 45). Management literature argues that service firms are reacting to changing consumer demand by 'putting the customer first'. 'Service driven' enterprises focus on how and where customers interact with the company and concentrate on dealing with these demands as quickly, efficiently and flexibly as possible (Schlesinger and Heskett 1991).

Many tourism commentators argue that there has been a similar shift in the basic values and demands of travellers. Urry (1990) states that the growth of tourism is a result of the consumers' need to "gaze" on other societies and places. He argues that the development of 'new' tourism results from, among other things,

...the widespread perversion of the 'romantic' gaze so that more and more people wish to isolate themselves from the existing patterns of mass tourism; the increased fascination of the developed world with the cultural practices of less developed societies; the development of the tourist as essentially a 'collector' of place often gazed upon and experienced on the surface... (Urry 1990, 64).



This increased need to "gaze" has been associated with a change in consumer attitudes. Many argue that consumers are no longer settling for mass-produced, low quality products just because they are cheap. The 'new' consumer demands better quality products, more variety, plus value for money (WTO 1990, 16; Teoros 1993). As a consequence, many suppliers have re-evaluated their focus on price since it is no longer the sole decision maker for most consumers. They concentrate instead on increasing the overall quality of product offerings.

Modern consumers are demanding to be treated as individuals not as a "mass". The problem is that it is increasingly difficult to have a holiday away from where the mass of the population is visiting. As a result, there has been a recognizable growth in what Lickorish (1987; 1990) terms "mini mass-markets" that require different packages and products within the same infrastructure. He argues that changes in consumer demand represent a breakdown of the old simple annual holiday, as many consumers now travel to learn or pursue specific hobbies, to widen contacts or practice a sport.

The future tourist will have a greater awareness of the range of tourism choices available, demand higher standards of service and value from tourist operators, and there is likely to be a growing concern about the quality of tourism experiences (Martin and Mason 1987; Krippendorf 1986; WTO 1990). Krippendorf (1986) argues that many of these changes result from a fundamental change in society. The primary characteristic of this new society is that it is no longer based on the work ethos, instead the primary focus is on leisure time.

Some have suggested that the perceived change in consumer demand for greater quality and variety is actually supply led and that the tourism system is strongly manipulative of consumption levels and behaviour patterns (Teoros 1993, 33). However, despite the arguments of some tourism writers, it seems to be widely accepted that tourism and consumption levels are not purely the outcome of manipulation by image-makers (Shaw and Williams 1994, 245).

While empirical evidence to support these types of changes in demand is not easy to find, other factors are more quantifiable. Key among these are shifts in demographics and societal roles in industrialized nations. According to the WTO (1990, 8),

**Changes in the demographic structure and social pattern of populations of the developed and newly industrializing countries means that, regardless of other factors, more people will have the time, inclination and income to travel.**

Older adults (age 55 and over), who now make up 21% of Canada's population, will represent 36% by 2031; among those over 70 there will be a tremendous growth from 8%

to 17% (McDougall and Davis 1991, 1). These seniors are projected to have a great impact on the tourism industry as they are reportedly to be healthier than in the past, with more active lifestyles (Dychtwald 1990; McDougall and Davis 1991). In fact, older Canadians are exploring the world at a faster rate than the rest of the population. Between 1980 and 1990, there was a 40% increase in trips taken by Canadian seniors to all destinations compared to only 11% for the entire population (McDougall 1991 and Davis, 3).

Working women are an increasingly important segment in the business and leisure travel market segment reflecting broader societal shifts in the role of women in the formal labour force (WTO 1990, 9; Bodlender 1990; 248; Sorbelli 1987, 338). Other socio-demographic factors that might influence the tourism industry are the growth of two-income households (WTO 1990, 9, Sorbelli 1987, 338); trends toward later marriages; and more childless couples (WTO 1990, 8; Hawkins et al. 1991). All these demographic changes are equated with higher disposable incomes, and therefore, for a wider variety of the population, there are more funds available for travel. This forces travel companies to restructure their existing products to cater to a broader diversity of tastes (Milne 1992).

### ***3.3.2 The role of government***

According to some geographers, using regulation theory to inform their research, government aid and intervention in the economy is slowly being withdrawn as part of an increasingly neo-conservative political agenda (Scott 1988). Governments are reducing their role in wage relations, in planning and physical social investment, and in the process of supra-national economic co-operation, and therefore, they are no longer as actively involved in supporting and protecting certain industries (Tickell and Peck 1992). Other post-Fordist theorists agree that while the nation-state has progressively withdrawn from many of these functions, regional and local governments are considerably increasing their role in direct economic intervention, bargaining with local firms and promoting innovation, all of which were previously considered to be nation-state functions (Moulaert and Swyngedouw 1989; Hirst and Zeitlin 1991; Tickell and Peck 1992).

Governments are one of the most important components involved in the development and smooth operation of the tourism industry. The most significant tourism function of urban governments is to effectively market the city as a tourism destination, and they are usually less involved in direct tourism investment. Instead local governments and business leaders often unite to 'boost' the city to convince investors, consumers, and potential residents that the city is vibrant, innovative, fun, profitable and a good place in which to live or visit (Mullins 1990, 331). Local governments are also responsible for transportation and economic policy aimed at maximising tourism's contribution to the

economy, and they often have to deal with issues relating to labour and workplace training, consumer affairs and public awareness campaigns (OECD 1993, 21). Furthermore, local governments provide forums where industry associations and their representatives can meet to overcome their differences (Britton 1991, 458). Other roles that may be taken on by the state include the offering of investment incentives for new tourism investment; the creation of campaigns to attract large festivals and events, like the Olympics or World's Fair; and to minimize any impediments to tourism industry growth (Britton 1991, 458; OECD 1993). National governments, do however, continue to play an important role in the development of the tourism industry through international marketing campaigns, and the preservation and maintenance of parks and wildlife which benefit the tourism industry.

### ***3.3.3 Organisational structure - alliances and segmentation***

Much of the post-Fordist literature focuses on small, highly specialised and interlinked firms, each responsible for a particular phase of a broader production process (Martinelli and Schoenberger 1991, 119). Large, oligopolistic, classically Fordist firms are beginning to adopt many of the organizational innovations that were previously thought to be the exclusive domain of small and medium-sized companies in order to become more responsive to changing market demand (Gertler 1992; Martinelli and Schoenberger 1991; Schoenberger 1988; Milne and Tufts 1993).

Networks and supporting institutions are becoming increasingly important for both small and large firms. Furthermore, firms in direct competition with each other are cooperating more frequently in the form of strategic alliances and joint ventures (Ahern 1993; Gertler 1992). Alliances and other collaborative arrangements are strategies which allow firms to cut product development times and increase their responsiveness to the market (Gertler 1992, 264). These collaborative strategies also allow companies to disperse financial responsibility and risk, react more quickly to market and competitive conditions, and launch new products or enter new markets without jeopardizing established business (Ahern 1993; Sayer and Walker 1992, 138).

The tourism industry is witnessing the increasing formation of global alliances between firms of different types (eg, hotel firms with airlines), as well as between similar businesses. Many small and medium-sized tourism enterprises have joined voluntary consortiums in an effort to survive in a competitive environment characterised by growing levels of ownership concentration. These groupings allow smaller firms to secure some of the scale advantages of large chains for marketing or purchasing purposes (Shaw and Williams 1994, 104).

Many links with companies outside the tourism industry have also been established. For example airlines are further integrating transnational financial institutions into the tourism industry by tying these companies into their frequent traveller programs. This has resulted in increasingly complex links between the tourism industry and the transnational banking/financial industry. Such linkages are made possible through innovations in computer technologies, which in turn, have triggered increasingly complex economic and information interdependencies throughout the tourism infrastructure (Mowlana and Smith 1993, 24).

Other links have been formed among airlines and telecommunication companies. For example, American Airlines and MCI have combined to offer American frequent flyer points for every dollar spent on MCI residential long distance calling. Electronic capital flows and credit and travel information data bases have become shared resources, making economies of scale in travel, telecommunications, and financial services more attainable (Mowlana and Smith 1993, 26).

Vertical integration continues to play a role in the industry. For example, Quebec's Groupe Transat has a controlling interest in the airline, Air Transat, travel agencies known as Club Voyages, and a tour operator, Transat tours. Horizontal integration is also continuing with Thomas Cook recently purchasing Canada's Marlin Travel in order to strengthen its presence in the nation's business travel market (Thompson 1990, 204).

The reorientation of competitive strategies also creates a greater specialization and differentiation of products with a heightened rate of change in product design and product mix (Piore and Sabel 1984; Schoenberger 1988, 254). This, in turn, creates opportunities for small, specialized producers and leads larger firms to diversify their product mix to cater to the more highly segmented market. Within tourism it has been argued that there will be renewed emphasis on the management of information as enterprises attempt to anticipate fickle consumer tastes. Markets will increasingly diversify and this will be seen in different styles of service, varied products, and more informal modes of doing business (Peacock 1992).

In the tourism industry small firms tend to concentrate on individuality and personalized service providing a specific product which allows them to cater to niche markets. In the past such niche markets lay beyond the interest and organizational capabilities of larger firms. Now, however, as competitive pressures increase and new technologies make it ever easier to supply specialized tourism products, large companies are beginning to segment their markets in increasingly innovative ways and are entering into specialized travel markets (Urry 1990). This change has resulted in new aircraft configurations (eg. business class), the segmentation of tour operator products (eg. growth in eco-tours,

cultural tours, urban tours), and new hotel facilities (eg. executive floors, fitness areas). A single outlet or product can no longer appeal across the total range of potential customers (Mayhew 1987, 51). The tourism industry is splitting into a wide variety of travel segments which no longer rely on general divisions of business and pleasure travel, but incorporate more specialized or 'alternative' choices such as cultural and environmental tourism into their strategic thinking.

The market segmentation, and other innovative organizational strategies outlined above, have important implications for the future make-up of the industry. Some argue that these organizational developments have resulted in a 'hollowing' of the tourism industry with large firms continuing to dominate and small firms surviving in ever more specialized niches. This occurs at the expense of medium and small firms who are unable to successfully specialize in a niche market and/or are unable to match the marketing power and technological dominance of the large players in the industry (Shaw and Williams 1994, 101; Hudson and Townsend 1992; Milne 1992).

#### ***3.3.4 The role of technology***

At the heart of the revolution in production methods described by the 'post-Fordist' theories outlined in chapter 2 is a new generation of fixed capital. Flexible machines assist firms in producing a wider range of goods without having to sacrifice economies of scale (Schoenberger 1988, 252-253). The growth of flexible machines has allowed firms to economically service small market niches using flexible batch production systems. In theory, flexible technologies offer the promise of substantial cost savings and will possibly be capital saving in the long run as they can be reprogrammed, rather than replaced, to cope with product changes (Schoenberger 1988, 252-253). The literature also stresses the fact that the high cost of this technology presents a serious competitive barrier to smaller firms (Martinelli and Schoenberger 1991, 119; Milne and Tufts 1993).

While the manufacturing sector has witnessed massive substitution of labour by capital equipment in the past two decades, and equally startling increases in overall labour productivity, the situation in the service sector is rather different. Despite the fact that services now account for the bulk of installed information technology in North America productivity increases have been minimal at best (Schlesinger and Heskett 1991; Royal Bank 1993). Roach (1991, 86) argues that the service sector has become addicted to technology, and as a result, it has moved from a, "variable-cost to a fixed-cost regime thereby sacrificing flexibility without gaining any concomitant productivity benefits." Others agree that technology has had a negative impact on the flexibility of a service operations. For example, many automated services have come to depend more highly on

other business and consumer services for certain tasks previously handled by workers (Wood 1991a, 67). In addition, technology can limit the abilities of a direct public contact employee to immediately manipulate a given situation, or resolve a problem (Roach 1991).

During the last decade computer technologies have been adopted rapidly by all sectors of the tourism industry (WTO 1988b, 10). Those firms that have adapted various technologies have often been rewarded with greater data accumulation and processing abilities, and lower operating costs (WTO 1990, 14; Bruce 1987, 115). The cutting of labour costs is especially important to such a labour intensive industry as tourism, and can be partially achieved through technology replacement (Bodlender 1990, 254). For example, fast food restaurants are increasing their dependency on labour and time-saving technological devices like point-of-sale systems (POS) that have been found to significantly increase the productivity of fast-food restaurants (Tufts and Milne 1994).

Compared to manufacturing, the possibilities of substituting capital for labour in the production of tourism services is limited to certain sectors, although the possibility of it spreading is growing (Shaw and Williams 1994, 143; Rutter 1990, 220). In fact, some jobs have already been lost in the reservation and information offices of tour operators and airlines but new jobs are being created because of a greater emphasis on sales and marketing, and new technology that provides vast amounts of information that needs to be collected and interpreted (Lecours 1993, 26; Bruce 1987, 116).

Tourism has become one of the leading beneficiaries of information technology (Urry 1990, 50). The industry faces immense communication and transaction based problems. Due to the fact that most tourism products cannot be stored, there is an immense volatility of demand, and the various components of a tourist product or company often tend to be geographically dispersed. Information technology has improved these communications linkages and has also improved the quality of information reaching the consumer of the tourist product. It has brought better coordination of various services into packages offered by tourist suppliers, and it has led to greater diversification and flexibility in adjusting the tourist product to the individual consumer's requirements (WTO 1988b, 8). In addition, computers are used to generate, process, store and analyze information, as well as facilitate various levels of communication, for example, among staff and guests at a hotel, from one department to another, and with other travel suppliers (Poon 1988, 538). The diffusion of technology also brings hidden implications for corporate performance and strategies:

...it is worth noting that the wide dissemination of new technologies has an important side effect, namely the proliferation and wide acceptance of basic quality standards directly or indirectly applicable to the tourist product (WTO 1988b, 15).

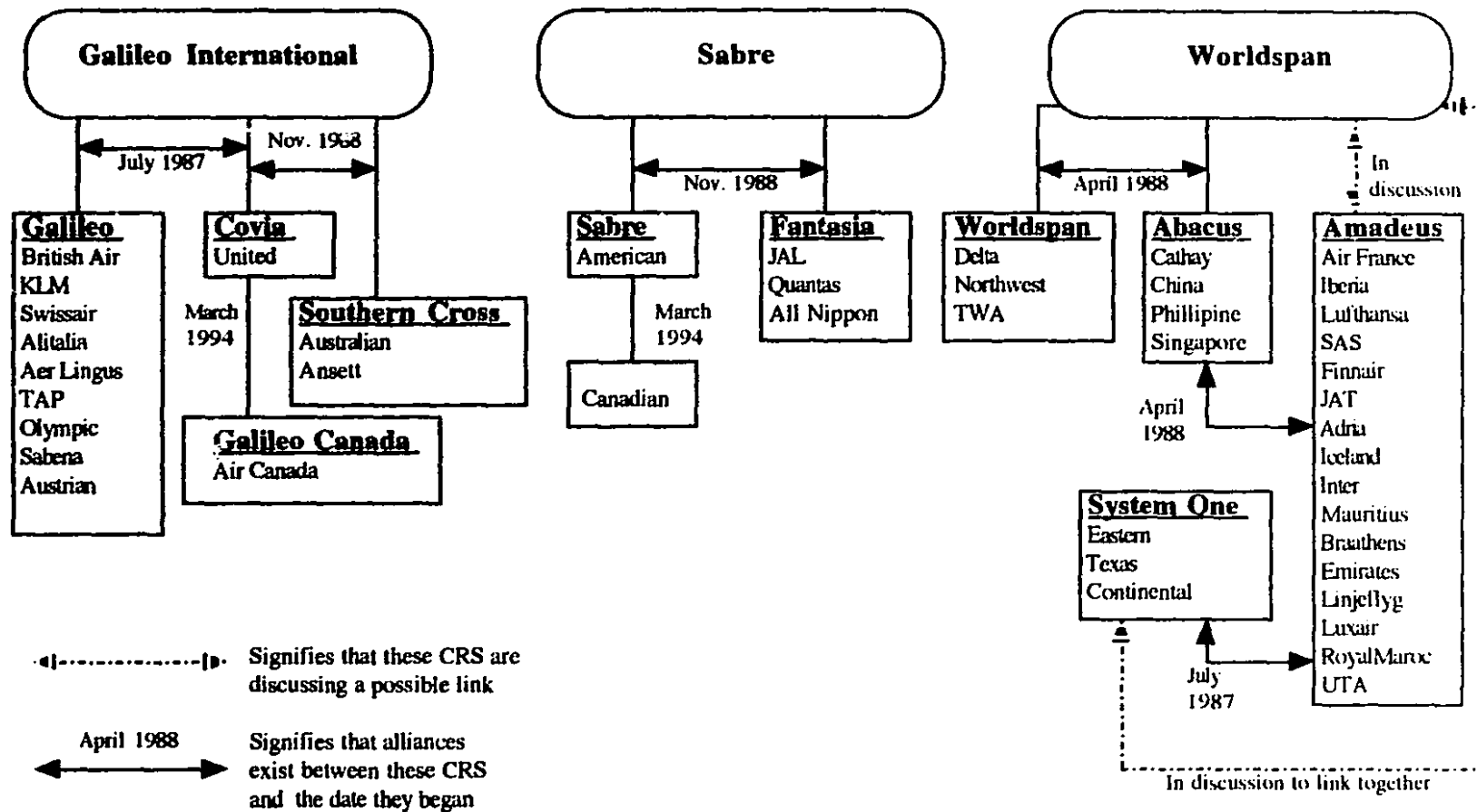
CRS is probably the most important technology currently in use in the tourism industry. It has had a significant impact on productivity and is a critical marketing tool (Truitt et al. 1991, 22; Lickorish 1987, 94). CRS has become so important in the USA that 92% of all domestic airline tickets, 77% of international airline tickets, 69% of car rentals, 53% of hotels, 8% of tour/vacation packages and 4% of all cruises are booked through such systems (Beaver 1992, 15; Go 1992, 25; Travel Weekly 1992, 99). In Canada, travel agencies sell 80% of all airline tickets, 97% of all cruise trips and at least 40% of all hotel rooms through CRS (Dineen 1993, 29).

The first automated reservation system was developed in the early 1960s by American airlines to serve its own reservation agents. By the mid 1970s, both American and United airlines realized that if travel agents could book directly on these terminals, rather than telephoning the reservation centre, important labour savings could be made (Chervenak 1992, 23). By 1975 United Airlines had launched Apollo, which was the first system that could be directly accessed by travel agents, this was quickly followed by American Airlines' Sabre system (Deng and Ryan 1992). By the mid-1980s American airlines had invested \$1.3 billion into its reservation system, and Sabre is now Americans' most profitable division (Chervenak 1992, 23).

In Canada, the first system to be introduced was Reservec (Air Canada) in 1978, Canadian Pacific followed quickly, buying out Pegasus in 1979. A few years later, these two systems joined and Gemini was formed. Gemini was linked with Apollo of United Airlines, which, in turn, is part of the second largest mega-CRS system in the world: Galileo International (Deng and Ryan 1992) (Figure 3.6). Recently Gemini was dissolved due to the withdrawal of Canadian Airlines from the system (Hallman 1994a, 1994b). To compensate for the loss, Air Canada has signed an agreement with Galileo International to create a new CRS to replace Gemini. Air Canada will be the sole owner of the system to be known as Galileo Canada. They will continue to use Galileo International's Apollo software and processing services (Hallman 1994a, 1994b).

These events are fairly typical of the rapid changes that have been taking place within global CRS. During the last half of the 1980s many airlines saw the need to expand their systems and provide enhanced services, so that travel agents could make multiple reservations with hotels, car rentals and other airlines, in a single transaction. To compensate for the large amounts of money required to obtain expanded services a number of cost-sharing mergers occurred. Today after multiple alliances and mergers among airlines, three CRS 'mega-systems' have evolved: Sabre, Galileo International and Worldspan (Archdale 1993, 3; Chervenak 1992, 23) (Figure 3.6).

**Figure 3.6: The Evolution of CRS Alliances**





Computerisation of previously manual tasks has resulted in more efficient data handling and processing, reducing the requirement for staff and, hence, lowering operating costs. For example, travel agents prior to the mid-1980s relied primarily on the telephone as a means of doing business. It could take them hours to coordinate and book a single travel request. Today, with the use of CRS, obtaining tourism information and transacting travel requests can be done almost instantaneously, allowing a single travel agency to process dozens more requests daily than it could only a decade ago. The consumer also benefits from these systems because the technology assists the industry in providing a faster, more customized service (WTO 1990, 14; WTO 1988b, 15).

There are, however, concerns about possible impacts of new technologies, such as the effects of technology on job design and displacement (Bruce 1987, 119). Furthermore, CRS has become so much a part of the modern tourism system that if a travel company is not represented, or if they do not have access to such systems, then they risk being cut out of the market place (Poon 1988; Go 1992; Bennett 1993). In addition, the unrepresented companies risk falling behind their competitors in terms of productivity and levels of efficiency so that they are no longer able to provide the level of quality and fast service that consumers have come to expect (Truitt et al. 1991; Poon 1988). As a result, those who first take advantage of CRS and other related technologies will have a clear competitive advantage. These same arguments could be applied to destinations eager to take advantage of the new tourism environment. Just like travel firms, destinations need to take advantage of new technologies to promote their region to as wide a market as possible. Those that do so quickly will gain a competitive advantage over their tourism rivals who have not yet promoted their area through a CRS, or developed their own destination database (DD).

### ***3.3.5 Labour use and management***

Labour costs in services often account for between two thirds to three quarters of total operating costs, therefore, employers are concerned about holding down these costs and increasing productivity (Christopherson and Noyelle 1992, 169; Urry 1987, 18). As a result, it is in service industries that some of the most significant innovations in labour use are occurring (Christopherson, 1989, 131).

Labour flexibility is characterized by two broad components. The first is enhanced functional flexibility, which involves the use of the same worker for a wide variety of tasks. The second is numerical flexibility, which refers to the ability of firms to adjust the quantity of labour used in production in response to fluctuations in demand for individual products, through greater use of overtime, temporary and part-time employment (Gertler 1988, 421; Martinelli and Schoenberger 1991, 121).

As noted in chapter 2, models of flexible labour use have been strongly influenced by Atkinson's (1984) model of the flexible firm. Some service sector researchers argue that this approach has limited applicability to the service sector, arguing that internal labour markets in the sector are characterised by a complex, multi-layered pattern of segmentation, not just a core/periphery division (Christopherson and Noyelle 1992, 177). In simple terms, while the use of some forms of flexible labour, namely part-time and temporary workers, may be increasing in some services, they have always existed among other tertiary activities. In fact, part-time and temporary staff are often considered to be as important to a service firm as full-time, permanent workers (Christopherson and Noyelle 1992).

Most academic studies that touch on the issue of tourism employment are filled with references concerning the quality of the jobs being generated. Often tourism is associated with low-skilled, low-paying part-time/seasonal jobs held mainly by females and ethnic minorities (Hudson and Townsend 1992, 55). The WTO (1988a, 75) states more accurately that tourism activities generally require both highly qualified personnel and labour that may be trained rapidly. In reality, employment in tourism is as complex and heterogeneous as the different subsectors which constitute the industry (Shaw and Williams 1994, 142; Waters 1990, 31).

Two types of tourism employees can be recognized: back-office workers who have minimal contact with consumers, and front-line employees who have high contact. While both groups are affected by technical change and work reorganization, the latter are managed differently, often being recruited and trained on the basis of interpersonal and public relations skills (Hudson and Townsend 1992, 57; Urry 1990, 68). These divisions relate to Drucker's (1991) service classification that is based on the degree of quality and quantity expected in the service output. Front-line workers are primarily valued for their ability to provide a *quality* service, while back-office employees are more *quantity* oriented as they are primarily valued for their efficiency at getting tasks completed.

Flexible working practices are not new to the tourism industry (Wood 1992, 142; Bagguley 1990; Guerrier and Lockwood 1990, 407; Riley 1992). In fact, flexibility in employment has traditionally been used by employers as a means of matching the nature and level of staffing to their business requirements (Kelliher 1989, 157; Urry 1990). The temporal variation in tourism demand is, in many cases, far greater than is experienced in manufacturing. As a result, tourism services have to be delivered to customers in both temporal and spatial clusters and this is one of the primary reasons that tourism is plagued with high levels of labour turnover.

The tourism jobs that generally use numerical flexibility tend to be at a low skill operative level and consequently training for additional staff is usually minimal. A pool of temporary employees familiar with the organisational practices of the company is developed and they are called upon as needed. Many of the skills possessed by temporary workers are 'industry' as opposed to 'firm' specific and therefore, a pool of temporary staff has developed (Kelliher 1989, 160). In contrast, levels of functional flexibility are often not as high as expected in an industry with such varying levels of demand. Staff tend to build up specialisms in departmental areas and within departments, but rarely do they cross functional boundaries.

The industrial relations climate of tourism firms has also been addressed by researchers. A general lack of unionisation within the industry means that there is little formally organized opposition to new working practices. Many reasons have been advanced for the relatively low level of unionisation in the tourism industry (Rutter 1990, 213; Riley 1985; Mill 1989, 165). First, a substantial proportion of the workforce is employed in small businesses, and therefore, there is little opportunity for any kind of worker collective to develop. The existence of high turnover rates only exacerbates the situation. Furthermore, the industry is made up of many part-time female employees who are traditionally reluctant to join a trade union (Mill 1989). And finally, the practice of tipping makes it difficult to regulate salaries. In fact, pay flexibility is a commonly used and well-established practice in the industry to regulate labour costs. Employees, particularly those in customer contact, have their pay levels linked to business activity via commission, i.e. service payment or tips. Because of the low levels of unionisation, management has considerable freedom to alter pay levels in line with levels of business activity, productivity or market availability of skills (Kelliher 1989, 16; Urry 1990, 80).

In an attempt to compensate for low levels of unionisation and increase the dedication of the employees to their firm, there have been some attempts to apply new management techniques (Urry 1990, 74). For example, front-line workers are given more responsibility and flexibility to respond more effectively, quickly, and courteously to the particular needs of the customer, which means that 'front-line' workers are much more highly valued (Urry 1990, 71; Hudson and Townsend 1992, 57). In turn, firms can gain a competitive advantage by promoting higher quality service as a distinct feature of the establishment (Schlesinger and Heskett 1991). Other ideas include bonuses to employees who surpass productivity or sales targets, greater emphasis on training, the development of 'quality circles' so that management gets direct feedback from those working directly with the customers, attempts at JIT inventory techniques to reduce storage, and the restructuring of

the management hierarchy so that upper management is closer to the client (Bodlender 1990, 251; Urry 1990; Hudson and Townsend 1992).

A further issue facing the tourism industry is how it can shed excessive layers of middle management. Some companies are experimenting with lateral transfers, providing training for new positions, and job rotation (Mill 1989, 172), but many more have been laid off creating a 'flattened' organization (Lecours 1993, 25). What makes this resizing possible is the development of new technology to retrieve and transfer the information that middle managers once controlled (Schlesinger and Heskett 1991). With good systems in place a company can achieve gains in productivity in ways that assist frontline workers and are not obvious to consumers, effectively reducing the need for middle management.

Some of the greatest impacts of restructuring are perceived as affecting those who are the least protected: women, youth and visible minorities who get stuck in low-wage jobs with women filling the majority of new part-time jobs (Christopherson and Noyelle 1992; Chadwick 1992). In fact, it is the very lack of employee protection and bargaining power, among women and minority workers that has enabled companies to employ them more flexibly (Drache 1991, 259; Sayer and Walker 1992, 103; Christopherson 1989, 140). Christopherson (1989, 140) makes a valid observation when she notes that the,

...costs of a flexible economy are being disproportionately borne by those segments of the workforce historically neglected by labour institutions. . . We should not be surprised if the romance of flexible specialization is inexplicable to such workers.

The tourism industry is dominated by women, particularly among part-time and low skilled positions. Bagguley (1990) argues that there is a gendered quality to labour flexibility in tourism. Women's work is often regarded as inferior or unskilled, simply because it is undertaken by females and therefore, the definition of skills may be no more than a social classification based on gender. This same argument applies to part-time jobs. Some jobs in tourism are socially constructed as part-time because they are seen to be women's jobs. The tourism industry does not just provide jobs for women; some argue that the very existence of a pool of women, and of the social possibility of paying them low wages or keeping them on temporary or part-time contracts, helps to shape a more polarized labour force (Shaw and Williams 1994, 150; Bagguley 1990).

The growth of women's part-time employment is central to any consideration of service sector restructuring and employment change as it accounts for the vast majority of growth in service sector employment, the processes of restructuring and production reorganisation (Bagguley 1990, 739).

In Canada part-time work is defined as paid employment of less than 30 hours a week. In 1991, almost 70% of part-time jobs in accommodation and travel related services were filled by women, but women filled only 53% of the full-time jobs in these same sectors (Chadwick 1992, 6). Bagguley (1990, 741) argues that women's dominance in part-time employment (they account for 70% of all part-time work in Canada (Chadwick 1992) is the result of a combination of supply-side, demand-side and legislative factors including: biases in labour market legislation that allow employers to exploit part-time workers; women who need to combine work with managing a home; and employer's search for numerical flexibility. Another more subtle feature of female employment in the tourism industry is the existence of a 'glass-ceiling' that seemingly prevents women from gaining access to upper-management levels (Hicks 1990; Guerrier 1986).

### **3.4 Summary**

A literature review has shown that certain elements of post-Fordist theories may be relevant in explaining some of the shifts that are occurring in the tourism industry. Heightened levels of competition due to industry concentration and diversification, coupled with deregulation, have combined to create an extremely dynamic tourism environment. Along with such pressures has been the impact of shifting consumer demand. These pressures are considered to be at the crux of the many changes that are taking place in manufacturing, and are considered important components of post-Fordist theories. It seems that post-Fordist theories may be useful in aiding our understanding of the pressures that are causing tourism firms to restructure their operations.

The organizational structure of the tourism industry is increasingly characterised by alliances, segmentation and specialization strategies. Many of the structural changes discussed in tourism literature are similar to industry developments presented in post-Fordist theories, and therefore, these frameworks may be helpful in understanding the organizational changes of the tourism industry. It is significant to note that both small firms (through specialization and networking strategies) and large firms (through segmentation and joint ventures) are attempting to become both more flexible and gain greater access to new technologies. As a result, there seems to be a hollowing out of the tourism industry, with mid-sized independent firms finding it particularly difficult to compete. This too coincides with ideas proposed by post-Fordist theories that predict growth in small, specialized firms that build customized products, and the continued existence of large, oligopolistic firms that can invest in flexible machinery that allows them to quickly change their product configuration as demand warrants it (Martinelli and Schoenberger 1991; Gertler 1992).

The rising use of new technology in the tourism industry has not yet brought about any significant increases in productivity. While consumer access to information, and speed of daily transactions have both greatly improved, technology has not significantly replaced employees, but it does appear as though we may have reached the tip of the iceberg in this respect. Thus, it is still unclear how well post-Fordist theories can explain the impacts of technology on labour use in tourism firms.

Issues of labour seem to be the most problematic area when determining the applicability of post-Fordist theories to tourism since flexible labour strategies are not new to the tourism industry. But the great diversity of tourism sectors that comprise the industry are not all based on round the clock attendance and shift work, nor do they all share problems of seasonality. Furthermore, there are many characteristics of tourism labour that are unique and have influenced the way in which tourism employment has developed.

At this preliminary point, it is difficult to conclude how applicable theories of post-Fordism are in explaining changes that are thought to be occurring in the tourism industry since there is very little empirical information on any of the key issues mentioned here. This chapter is drawn mainly from literature that is highly anecdotal and impressionistic and there are many gaps in our practical understanding of how the tourism industry is changing. To fully comprehend the evolving tourism industry, some key issues need to be empirically examined and some important gaps in tourism research need to be addressed. First, there is very little information on the role of networks, alliances and segmentation strategies among tourism firms, and how their use differs among large and small firm types. Secondly, there is no real knowledge of the differential diffusion of CRS and other technologies. Furthermore, by focussing on tourism as one entity we are unaware of the different uses of technology among various tourism sectors. Some sectors are much more dependent on technology for day-to-day proceedings than others who view technology merely as a tool to provide assistance. Finally, information concerning tourism employment is limited but growing. Current research need to be expanded to include such labour issues as changing skill requirements, technological impacts, middle management cuts and gender.

All of these issues require empirical investigation in order to clarify their role in the restructuring of the tourism industry. Since the tourism industry is made up of several inter-related activities, it is far too complex to study as a whole. Instead the hotel and travel agency sectors of Montreal are examined in relation to the key issues mentioned throughout this chapter.

## **CHAPTER 4**

### **THE RESEARCH CONTEXT AND METHODOLOGY**

When analysing the dynamics of change taking place in an industry it is important to understand the local features that may influence its development. A location's historical development, political forces and government policies can impact the type and direction of industrial development and affect the strategic corporate choices being made. Marshall and Jaeger (1990) comment that too often service sector analysis is presented independent of specific historical and local circumstances. This results in confusion concerning the various possibilities of service development. In a similar argument, Norcliffe (1993) calls for the extension of post-Fordist theories to localities because particular local circumstances can lead to a great deal of variation in the form of flexibility (of machines, labour, production organization or response to market) adopted by a community. This chapter identifies the local circumstances that may have influenced the development of the Montreal tourism industry. A discussion of the historical development of Montreal and the role of government in encouraging the growth of the local tourism industry will result in a clearer understanding of why changes are taking place within the tourism sectors being studied. This is followed by a discussion of the methodology used to gather information, briefly describing why hotels and travel agencies were chosen for this research.

#### **4.1 Montreal - an economic overview**

While Montreal's distinct cultural identity makes it somewhat unique in the North American setting, its historical economic development is fairly typical of many older, industrialized, North American cities. Montreal's industrial development began during the mid-1800s and was closely linked to its emergence as a major North American port. The port and other transportation improvements, such as the construction of railways linking the city with northeastern US cities, and later the Canadian west, helped to create a boom environment for the city's young industries.

Three categories of industry dominated Montreal's economic growth throughout the late 1800s and early 1900s: food, clothing and equipment (Linteau 1992). In later years, Montreal also became a major aeronautics manufacturing centre but missed out on the automotive revolution. Other heavy industries that contributed to the economic growth of the city included electrical appliance manufacturing, metal-working, petroleum products, chemicals and pharmaceuticals (Linteau 1992). Coinciding with the city's rise as a transportation and manufacturing centre was the growth of its financial sector, with banks,

stock brokerages and investment houses of St-James street representing the heart of financial activity in Canada until the Depression.

Up to and including the World War II years, Montreal prospered as it possessed many of the advantages favoured by industry: proximity to markets, access to transportation and communications, cheap labour, available raw materials, low energy costs and affordable land (Higgins 1986, 40). Following World War II the strength of the Montreal economy began to decline relative to other Canadian cities. This was the result of a combination of several events. According to Léveillé and Whelan (1990) one of the most significant factors was the replacement of Britain by the USA as the focal point for the Canadian economy. Montreal was the most important Canadian city when east-west trade linkages predominated but it was later bypassed by Toronto which was better situated for north-south trade. Furthermore, the St-Lawrence seaway, opened in 1959, resulted in a greatly reduced significance for Montreal's port, and by the 1940s and 50s, many manufacturers moved from the city centre to outlying suburbs where rent was cheaper and space more abundant (Léveillé and Whelan 1990). Finally, the general decline of industry and commerce in Montreal also affected the financial sector, particularly in relation to Toronto. For example, in the 1920s, Montreal's stock exchange accounted for 70% of the volume of shares traded nationally. By the early 1970s the Toronto stock exchange was home to 69% of the volume of Canadian trading versus 24% in Montreal (Nader 1976, 136). By 1976 the population of Toronto finally surpassed that of Montreal (Higgins 1986, 54).

Much of the job loss and company exodus from Montreal occurred following the election of the separatist Parti Québécois (PQ) in November of 1976. Some commentators blame the departure of many large firms from Quebec on the political uncertainty created by the separatist threats of the PQ government but there is some debate concerning how influential their election was given the longer run historical decline of Montreal already in progress (Levine 1989). Furthermore, a new international division of labour was taking hold at this time which shifted a portion of manufacturing production to countries with low cost workers. Many 'traditional' Montreal industries were vulnerable to this new global order because they were characterized by labour intensive, low value-added operations which were devastated by foreign competition. This was especially the case in such industries as leather goods, textiles, and clothing (Whelan 1991, 163; Léveillé and Whelan 1990, 153; Levine 1989, 142).

In total, 70 000 manufacturing jobs or 36% of Montreal's industrial base was lost between 1971 and 1986 (Levine 1989, 142; Léveillé and Whelan 1990, 152) (Table 4.1). As a result, services have grown to dominate the Montreal economy, with 84% of the city's 620 000 member workforce employed in this sector. Public services (health, education and



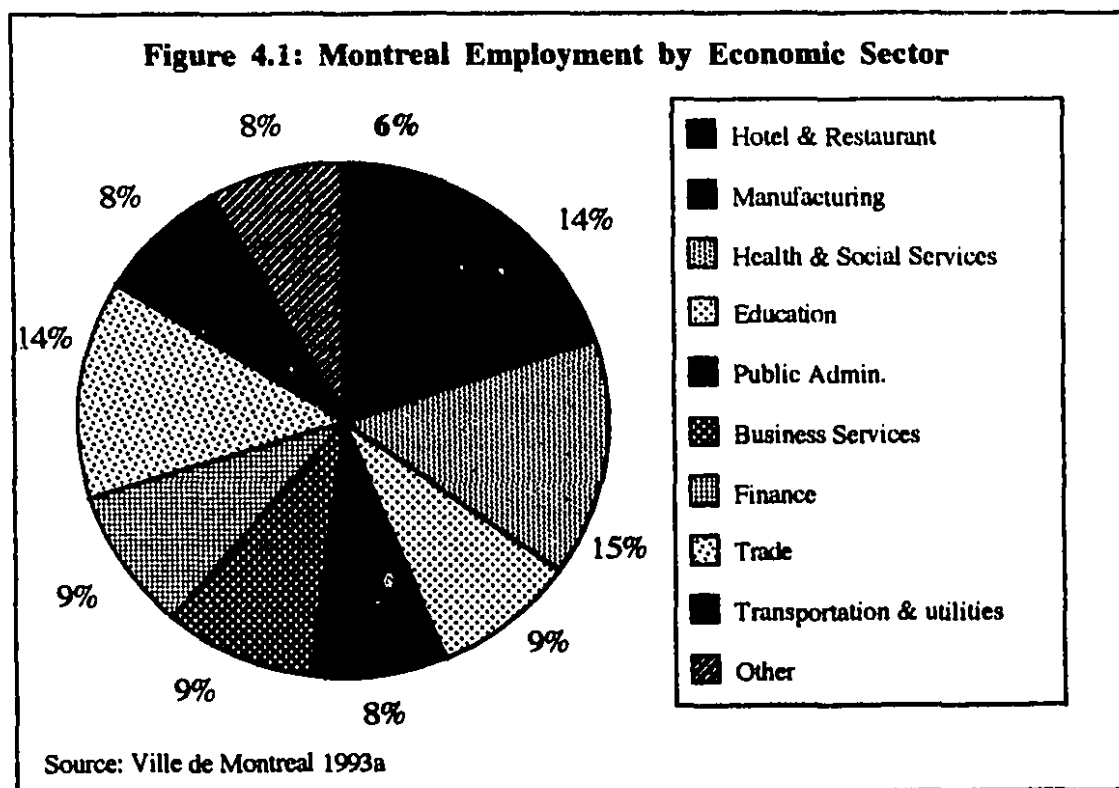
government) and producer services (finance, business and trade) each provide a third of all Montreal jobs (Figure 4.1). Tourism related businesses are included among many categories and their contribution to urban employment is, therefore, more difficult to determine. Hotels and restaurants alone employ 6% of the Montreal labour force (Figure 4.1).

**Table 4.1: Percent of Total Montreal Employment by Sector**

Industry Group	1951	1961	1971	1981	1986	1992
Primary	0.6	0.7	0.6	0.4	0.4	0.4 <sup>1</sup>
Manufacturing	37.6	31.6	30.6	24.1	20.1	14.0
Construction	6.9	7.0	5.6	4.3	4.0	1.6 <sup>1</sup>
Tertiary	54.9	60.7	63.1	71.1	75.0	84.0

Source: Nader 1976, 132; Whelan 1991, 158; Ville de Montreal 1993b

1 - These are estimations based on extrapolation



## 4.2 Tourism development in Montreal

To respond to the significant decline in manufacturing employment, the City of Montreal has turned to new industries - including tourism. The Montreal tourism industry was developed through various tourism and cultural programs of the Quebec and Montreal

governments who actively pursued a strategy of beautifying the urban landscape to attract visitors and investors (Léveillé and Whelan 1990, 167). Over the last 40 years Montreal has gone through three phases of economic development, each of which has contributed significant structures and events that have come to characterize the present-day tourism industry.

The first development phase began in the late 1950s when commercial and office activity moved from the traditional "Vieux Montreal" to a new city core located 10 blocks north (Levine 1989, 143; Léveillé and Whelan 1990, 155). This was instigated by the construction of Place Ville Marie, the first major office development since the 1930s, and an extensive underground system that came to be known as the "Underground City". This underground system consisted of an ever growing network of shops and services geared to both downtown workers and tourists. The Underground City would eventually encompass 1400 boutiques, two department stores, three concert halls, two rail stations, an efficient underground transit system and several hotels, movie theatres and restaurants (Broadway 1993, 35). Also during this time concerns were raised for the future of "Vieux Montreal" which was quickly deteriorating. A commission was then set up to oversee preservation and restoration of this historic district which has since become central to Montreal's tourist product.

The second development phase took place during the 1960s and '70s and revolved around the "grand projects" of mayor Jean Drapeau. Drapeau's redevelopment strategy had two objectives: to make Montreal a leading tourist centre, and to rebuild the position of Montreal's new downtown as a financial, commercial and communication centre (Levine 1989, 143). The first mega-project was Expo 67, a major development based on two islands in the St-Lawrence seaway that were enlarged and modified to accommodate pavillions. During this period there was a parallel construction boom taking place within the city, including the construction of an underground rapid transit system linked into the Underground City.

Another "grand project" revolved around the 1976 summer Olympic Games. Not only did this bring international recognition to the city, but it provided an abundance of modern athletic facilities, including the Olympic stadium which has remained a significant tourist attraction. At the same time, Montreal's Underground City and metro systems were expanded to connect the various mega-projects and bring people to the new city core (Levine 1989, 144).

The events of this second development phase, such as the World's Fair and the Olympics, were very important in promoting Montreal's image as a world class city and in directly stimulating the tourism industry (Léveillé and Whelan 1991, 156). For example,

the islands at the centre of Expo 67 now support the La Ronde amusement park and the Piste Gilles Villeneuve for the Canadian motor racing Grand Prix. In 1992, the city invested a further \$55 million into the islands and they now support such attractions as a large public beach, water slides and a casino.

Following these mega-events, and their related construction booms, the development of the Montreal tourism industry slowed considerably. With the exception of the construction of the Palais de Congres (1983), improvements were insignificant until the late 1980s when local and national governments decided to refocus Montreal's development strategy. A new development focus arose from two extensive studies of the Montreal urban economy that were conducted during the late 1980s (Picard 1986; Ville de Montreal 1993a). They recommended certain international activities, including the development of tourism, as economic development priorities for Montreal because these industries would provide the city with a competitive advantage in the new world economy (Picard 1986; Ville de Montreal 1993a). Other activities that were recommended include: headquarters of international organizations, high technology, finance and international trade, design, cultural industries and transportation.

The local government has been involved with various tourism partners in building and promoting Montreal's tourism resources. Both the governments of Quebec and Canada have dedicated about \$100 million to tourism development in this region (Tourisme Quebec and Tourism Canada 1993). In addition, local authorities are building the Montreal tourism industry with other city agencies, such as the Montreal Tourism and Convention Bureau (OCTGM), which is the most important body involved in developing the local tourism industry, and the Palais de Congres (Ville de Montreal 1993a, 25). The OCTGM provides information services to firms active in the tourist business around Montreal, and acts as a liaison for potential tourism investors to the city. The Palais de Congres is the city convention centre and actively recruits convention business to the city. Together these organizations have helped to build a tourism industry that directly or indirectly employs over 65,000 people (Broadway 1993, 32), and in 1992 injected over \$1.2 billion into the local economy (OCTGM 1993b, 1).

Despite the fact that hotel occupancy rates have been falling since 1989, they have recently started increasing and there is still great optimism about Montreal's continued tourism potential. Hotel investment has been substantial with total rooms in "large" hotels growing by 39% between 1977 and 1991 (10 241 to 14 262) (Ville de Montreal 1992). In addition, coinciding with the city's 350th birthday celebrations in 1992, 14 attractions were completed to increase the supply of attractions available to the travelling and local populations, and to help boost the image of Montreal (OCTGM 1993a; Ville de Montreal

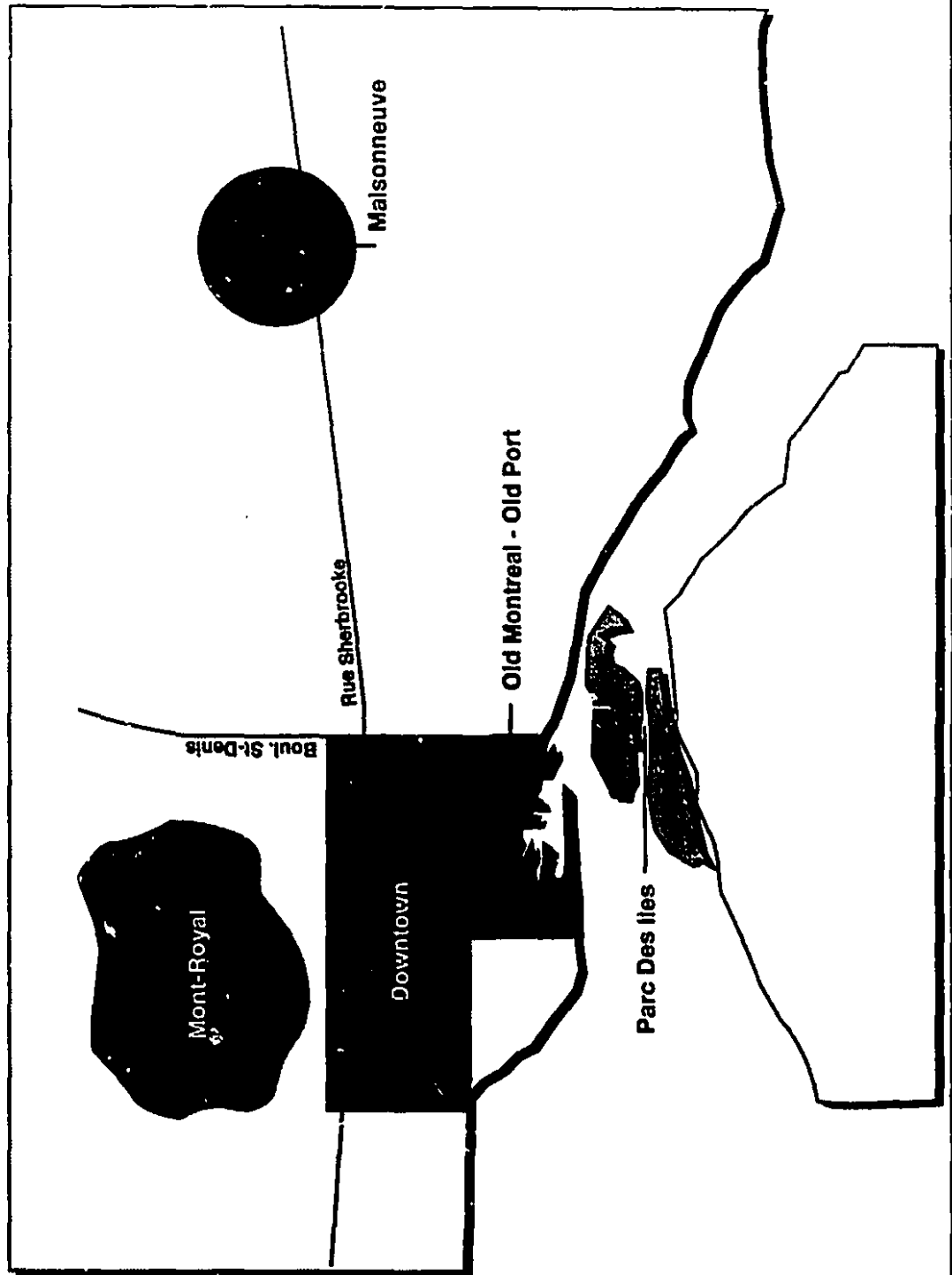
1993a). The city of Montreal has also significantly increased its investment in tourism promotion. Prior to 1992, investment in promotion was less than \$2 million per year (Milne 1992) but they have since increased their budget to \$5 million in 1993, \$6 million in 1994 and \$6.5 million in 1995 (OCTGM 1992).

The number of delegates for conventions, has also increased steadily over the last four years (From 350 000 in 1989 to 415 000 in 1991) (OCTGM 1992). Montreal now ranks first in Canada and third in North America as a host of international conferences, and is well-positioned in the business/tourist market. Besides the business/convention market, areas identified as having the greatest potential for tourism in Montreal are festivals, cruise ships and professional sports (Broadway 1993, 32; Ville de Montreal 1993a). Tourism is also expected to continue to create jobs, albeit at a slower rate than during the late 1980s, and provide gradually increasing revenue to the city, should the city continue to invest in tourism infrastructure and promotion (Milne 1992).

Montreal's current tourism infrastructure is grouped into 5 main areas: downtown, Old Montreal and the Old Port, St-Joseph's Oratory and Mount-Royal, Parc des Iles (the old Expo 67), and Maisonneuve (Olympic complex and Botanical Gardens) (Ville de Montreal 1993a). Most of these attractions are centrally located, therefore the urban core of Montreal has been the primary beneficiary of increased tourist activity (Map 4.1). There are increasing attempts to link the five areas with 'tourism corridors'. Plans are afoot to link the Old Port, Lachine Canal and Olympic Park complexes by rail, using existing trackage which is now unused. The corridors would also feature revitalised urban landscapes including industrial heritage museums.

The City of Montreal is involved with several tourism related organizations and businesses in a public-private partnership dedicated to building and maintaining a healthy tourism industry. Participating organizations and local government have put together a tourism development plan to achieve the following three objectives (OCTGM 1992). First, by 1995, the city would like to increase the number of tourists by 15% bringing about 6,500,000 visitors and \$1.5 billion in revenues to the city. The second objective is to strengthen the image of Montreal so that it has its own personality and can be distinguished from its competitors. And the third goal is to invest in tourist attractions and services that help develop Montreal as a city with an international focus. These goals will be achieved by implementing plans for promotion and market development, by achieving better customer service and reception through training of tourism employees and citizen awareness campaigns, and by bringing together all participants of tourism and building new partnerships with both tourism and non-tourism related industries (OCTGM 1992).

**Map 4.1: Montreal's Tourist Areas**



### **4.3 Tourism industry sectors**

In this research, the two sectors studied are both considered core to the tourism system, hotels and travel agencies (Figure 3.1). Each of these sectors rely heavily on travelling consumers for their revenues and can therefore be considered good indicators of change in consumer demand and levels of competition, as well as providing information about how tourism firms are adjusting their operations to remain competitive in a new global economy.

#### **4.3.1 Hotels**

Hotels are considered principal suppliers of the tourism experience and are often used in tourism studies as indicators of economic trends influencing the entire tourism industry. Hotels account for over 15% of total tourist expenditure in Canada (Tourism Canada 1990, 7) and provide 168,000 jobs, with 31,000 of these being in Quebec (Chadwick 1992, 4). It has also been estimated that hotel and food services are the top performers of all services in providing downstream linkages to Canadian goods producers (Economic Council of Canada 1990, 8).

Hotels are not only important in terms of employment and revenue generation. They also act as a base for visitors arriving to a city, and can therefore exert considerable influence over the competitiveness and nature of urban tourist 'products' (Milne and Pohlmann 1994). For example, hotels' ability to attract and cater to convention business will be an important factor in the ability of the city to compete with other urban areas for future convention business. Another important feature of hotels is the influence they can exert on visitors' perceptions and actions in the urban environment, by recommending only particular restaurants, attractions or entertainment facilities. Furthermore, hotels are considered very important when pursuing urban core regeneration strategies as they are often part of an integrated hotel, convention centre, retail complex that is intended to bring new life to a rundown area by transforming the built environment and providing it with a new economic and social role (Britton 1991, 467). Hotel representatives also provide a good indicator of the consumer trends for those visiting the City, and the concerns these incoming tourists may have about the image and supply of the local tourism industry.

#### **4.3.2 Travel agencies**

Travel agencies were chosen because they form an integral part of the retail/commercial end of the tourism industry. They provide links between consumers and a variety of tourism suppliers ranging from hotels, car rentals and flights to wholesalers, consolidators and tour operators. Travel agencies are highly reliant on both upstream and downstream

suppliers or buyers to ensure growth of sales, and therefore are very aware of the latest trends and challenges facing the entire tourism industry (Britton 1991, 457).

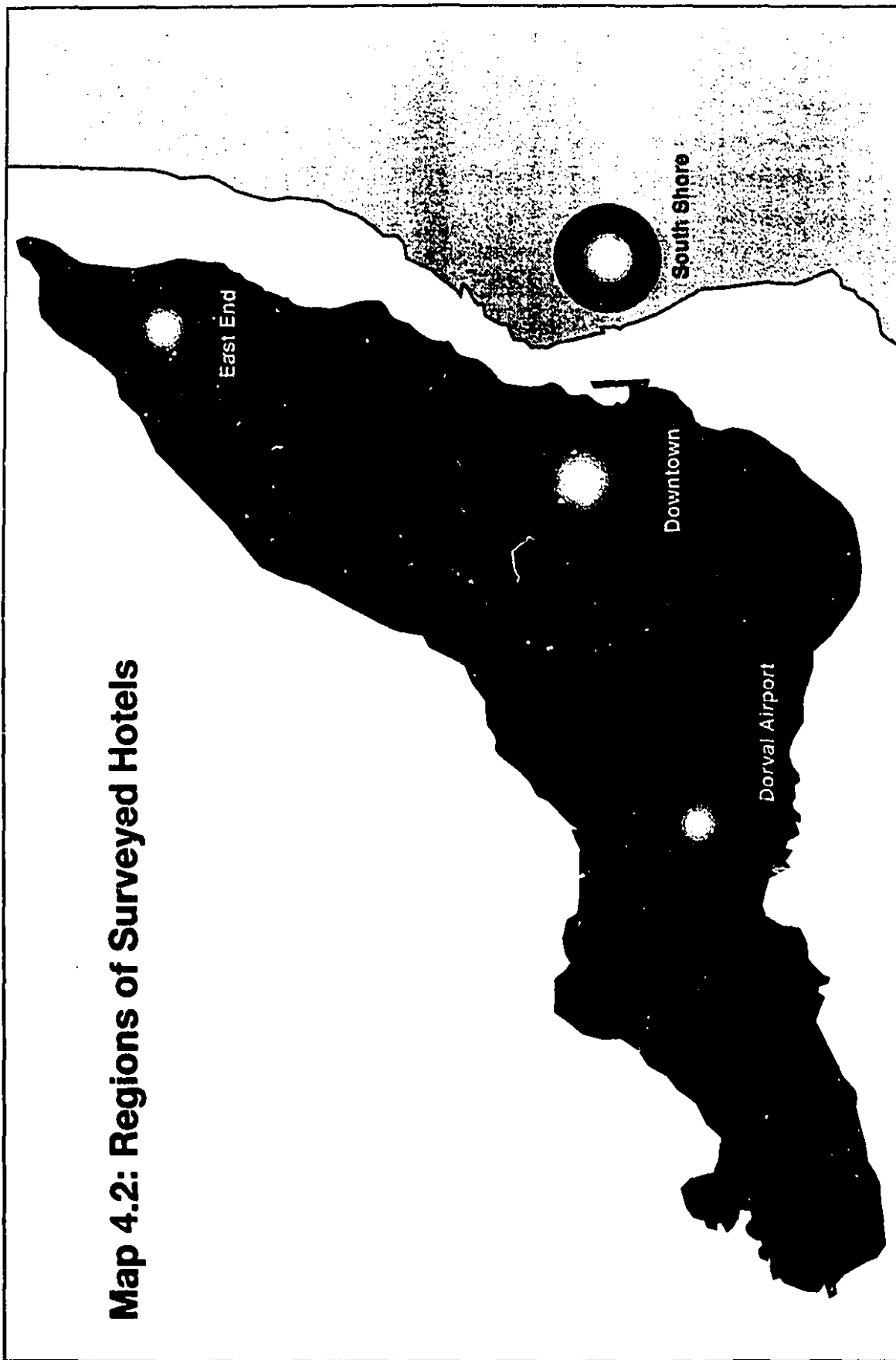
While travel agents have been in existence for over 100 years, it was not until the 1950s and '60s that their numbers multiplied significantly. This increase was largely due to two factors: the large-scale growth of commercial airlines and the post-war growth in package tours - both of which used travel agents to sell their products (Lavery and Van Doren 1990, 67). Today, it is estimated that there are some 60,000 travel agent companies around the world (many of which operate hundreds of branch offices). About half of these companies are in North America (Coltman 1989, 336). In 1987, the US Bureau of Labour Statistics reported that the travel agency sector was expected to achieve a growth of 5.9% from 1987 to the year 2000. This was considered one of the fastest growing industries, second only to the computer equipment industry (Lavery and Van Doren 1990, 67).

In Canada, the travel retail sector employed approximately 27,000 people during 1991 (Chadwick 1992, 4), through 5,000 travel agencies across the country (Dineen 1993, 28). In 1989, 1 076 of these retail travel agencies were in Quebec and they generated about \$1.2 billion in revenue (Roy 1990, 12). In Montreal, and its surrounding areas, there are approximately 650 travel agencies.

#### **4.4 Methodology**

The research sample was devised by contacting a random selection of 200 CEOs or owners of firms in the two tourism sectors. They were contacted through a letter that outlined the study and what their contribution would be should they choose to participate in the research. The letter was then followed up by a phone call at which time an interview was scheduled. On average, interviews took about one hour with some lasting up to three hours. In total, 103 interviews were completed giving a response rate of approximately 50%. The hotel research was conducted throughout the Greater Montreal Area from February to August of 1992. In total, 61 hotels, representing over 10,700 rooms, were surveyed. This represents approximately 50% of all hotel rooms in the Greater Montreal Area (Map 4.2). Forty-five of these hotels were located in the urban core area (Map 4.3). They represented over 8,000 rooms or 53% of all downtown hotel rooms. In addition, the heads of two hotel associations (The Quebec Hotel Association and the Hotel Association of Greater Montreal) were interviewed for broader comments. The travel agency research was conducted primarily in the urban core area, from October of 1992 until May of 1993. Due to the strong similarities among travel agencies, the 40 enterprises interviewed for this research are considered an adequate representation of the travel agency sector in Montreal.

**Map 4.2: Regions of Surveyed Hotels**





[illegible]

Drawing on the research results, I produced industry reports for each sector (Pohlmann and Milne 1993a; 1993b). These were distributed to all those who participated in the study.

The interviews were conducted as structured but open-ended discussions so that the candidate could freely express their opinions and ideas and provide both qualitative and quantitative information that was essential to the research. The accumulated quantitative information was often supported by personal anecdotes that were revealed throughout the interviews. This approach allowed the interviews to drift into new areas of interest if the discussion revealed some intriguing information not covered by the structured set of prepared topics.

This research approach was chosen because other statistical methods of large-scale data accumulation tend to provide data for particular events but they do not necessarily allow researchers to understand the underlying rationale for these activities (Herod 1993, 306). The open-ended interview, or what Schoenberger (1991) calls the "corporate interview", is designed with a number of prepared questions that may be reformulated during the course of the interview as new information warrants (Herod 1993, 306; Schoenberger 1991).

There are a number of advantages to using this interview framework. First, open-ended interviews tend to be more spontaneous as they allow greater flexibility if an area of interest needs to be further explored. Second, variations between interviews are not considered "errors" but rather as significant "data" which can provide information concerning the perceived meaning of questions and answers, power dynamics between interviewee and researcher, and how various interviewees may interpret a situation differently (Herod 1993, 306). Finally, open-ended interviews allow interviewees to introduce topics and to speak in their own words rather than in categories dictated by the researcher (McDowell 1988; 1992; Reinharz 1992).

These types of interviews were extremely helpful in accumulating the research information that I needed. On occasion interview subjects even provided new information that was highly relevant to the final findings. For example, one of the travel agency managers revealed the concept of an "outside agent" who could be seen as a form of sub-contracted employee, while another interviewee first described the tourism industry as a 'pink-collar ghetto', a very appropriate term given the high proportion of women found in lower skilled tourism jobs. Some interviews revealed topics of discussion that would be worthy of further research but are beyond the scope of this work. For example, issues of sexual discrimination and tourism promotion strategies were very interesting issues in their own right. Finally, the open-ended approach allowed me to adjust my questions to each interview situation. For example, a few interviews were rushed, or the interview candidate

had little willingness to share their ideas. In these situations I focussed on quantitative information accumulation, using only a few relatively simple qualitative questions.

There are, however, some dangers in using open-ended interviews, the most important being the tendency for respondents to drift into discussing irrelevant topics, and the high degree of personal bias that can be interpreted as fact by the interviewer. As an interviewer, I found myself attempting to control the proceedings of the interview, not always an easy process, while trying to differentiate what was personal bias and what was fact.

As a female student often interviewing one-on-one with much older, male, corporate executives, there was sometimes a difficult wall to penetrate before they would accept my ability to discuss their area of expertise. Generally, once the interview had progressed, the candidate would become more open and reveal more of their opinions and ideas. During one particular interview though, the wall would not come down and the interviewee would answer all my questions with a question. Only by calmly confronting the candidate with his behaviour did the interview finally progress more normally. By using the open-ended interview concept, I was able to subtly steer the interview candidate back to the topics that needed answers, and regained control of the interview process.

A further danger inherent in any interview process is the influence that the interviewer may have on the answers given by the interviewee. For example, my first pilot interview with a travel agency owner was not going well as the subject seemed completely unaware of any of the issues I was raising. I found myself feeding the answers I wanted into the questions in order to have them provide some significant information. Following the interview I recognized my bias, and decided to use only the quantitative information that I had accumulated for analysis.

The interviews focused on the pressures being faced by particular companies. Often these pressures included discussions of intensified competition due to the recession and the growing number of competitors. Also, the impact of changing consumer demand due to shifts in socio-demographic structure like the aging population, and more singles and dual-income families. In addition, there was usually a discussion of changing demand based on a perceived need for more quality and variety in the travel products consumed.

Other topics concerned the strategies that companies had implemented to overcome some of the pressures mentioned earlier in the interview. One such topic was the changing organisational structure of the sector under study. This included discussions of the growth of large nation-wide and multinational organizations, alliances, and the growing interest in specialization and segmentation. Another area of discussion related to the impact of new technologies. There were questions about the advantages in obtaining or participating in CRS and/or other information and computer technologies, what systems they used and

what implications may result as technology use increases. A further topic of discussion involved various labour related subjects. For example, some of the questions related to how the firm adapted their labour force to various pressures like the recession, competition, and new technology, what training methods and skills they required now and in the future, and how yearly and economic fluctuations in demand affected their labour needs. An outline of the standard interview format for both the hotels and travel agencies is provided in appendices A and B.

## CHAPTER 5

### THE MONTREAL HOTEL SECTOR

#### 5.1 Overview of the Montreal hotel sector

Visitors to Montreal spend over 26% of their budget on accommodations, helping to employ the equivalent of 7,000 full-time employees (OCTGM 1993a). Hotels contribute a considerable amount to the urban economy, with the 44 largest hotels that make up the Hotel Association of Greater Montreal generating \$403.5 million in 1990, and contributing over \$40 million in municipal taxes (HAGM 1990). By 1992, the city of Montreal had 15,330 rooms available, while the greater Montreal area had approximately 23,000 rooms (OCTGM 1993b). Montreal hotels cater to all tastes attracting approximately equal amounts of tourists and business people. Furthermore, they must cope with a severe seasonality of demand. During winter months the number of visitors to the city is relatively low and hotel occupancy rates drop below 48%, while in the peak tourist summer months of July and August, occupancy rates often exceed 70% (Broadway 1993, 34).

The city's hotels range from small family-owned businesses with only a handful of employees to large convention centres employing thousands of people. The hotels surveyed ranged in size from 3 to 1030 rooms. A mixture of ownership types was also represented (Table 5.1).

**Table 5.1: Characteristics of Hotels Interviewed**

Size	Ownership Type			Total
	Independent	Quebec Based Chain	Non-Quebec Chain	
Small (1-60 rooms)	22	-	-	22
Medium (61-229 rooms)	11	3	11	25
Large (230+ rooms)	1	2	11	14

NOTE: Hotels ranged in size from 3 to 1030 rooms.

Independent includes all locally-owned hotels that are unaffiliated with any chain

Quebec-Based Chain includes all hotels owned by a province-wide hotel chain

Non-Quebec Chain includes all hotels owned by national or international hotel chains

#### 5.2 The competitive context

Managers were asked what they felt were the greatest pressures currently affecting their hotel. Numerous responses were given but two of the most significant were increasing competition and changing consumer demand. Due to recessionary pressures, 1991 saw slower growth in leisure and business travel to and within Canada than in previous years:

between January and June of 1991 the number of trips by non-residents was down 2% compared to the previous year, with the usually strong month of July seeing a 3% decline. Ontario and Quebec saw an overall decline in tourism business of 10-15% compared to previous years (Tourism Canada 1991). Business travel has also been reduced as many firms attempt to trim their budgets. The average occupancy rate for the city's hotels stood at 55% during 1992 - down from 67% in 1987 (Table 5.2). Competition for the convention market has also heightened with both Montreal and its other major Canadian competitor, Toronto, having to deal with a convention revenue slump that peaked in 1989 (Purdie 1992).

**Table 5.2: The Evolution of the Montreal Hotel Sector**

<b>Year</b>	<b>Available Room Nights (000)</b>	<b>Occupancy Rate (%)</b>
1985	14 960	64.5
1986	14 965	64.5
1987	15 250	66.7
1988	16 072	66.2
1989	16 593	62.9
1990	17 314	59.8
1991	17 834	54.5
1992	18 380	55.3
1993	N/A	56.0

Source: OCTGM 1993b; OCTGM 1992; Semenak 1994

In the past the hotel sector has demonstrated its resilience in times of economic recession and often recovers more quickly than other tourism sectors (Lavery and Van Doren 1990, 105). The last recession appears, however, to have caused greater damage (and damage control) than previous economic downturns. The city's hotels have attempted to adapt by identifying new markets, using greater product and market segmentation, and implementing more productive and efficient management techniques.

Along with recessionary pressures, levels of international competition and ownership concentration are having a major impact on the hotel sector. The growing saturation of domestic markets has made it increasingly difficult for independent hotels to obtain a return on investment. At the same time, large international hotel chains are attempting to increase profits and market share by investing overseas and/or by breaking into higher margin niche markets through increased market segmentation (Dunning and McQueen 1982; Littlejohn and Beattie 1992; Go 1990). While independent operations continue to have an important

presence in the sector, chains have increased their overall share of global room capacity considerably in recent decades; with the total number of rooms controlled by the world's 25 largest companies virtually doubling every decade since the 1970s (712,000 - 1970, 1.32 million - 1980, 2.45 million - 1990) (Martin 1992). The rapid growth of chains has often occurred through franchising and 'management contract' approaches which allow chains to add existing hotels to their grouping with minimal or no capital investment (Table 5.3). Such an arrangement also provides the new partner with all the advantages of being part of a large, well recognised chain including access to increasingly sophisticated CRS (Baum 1992b).

**Table 5.3: The World's 15 Largest Hotel Companies - 1991**

Chain (HQ Location)	Rooms	No. of Hotels		Countries operated in
		Total	Franchised	
Holiday Inns Inc. (USA)	327,059	1,645	(1,437)	52
Hospitality Franchise Systems (USA) <sup>1</sup>	288,990	2,298	(2,298)	n.a.
Best Western International (USA)	266,123	3,310	n.a.	40
Choice Hotels International (USA) <sup>2</sup>	214,411	2,295	(2,279)	26
Accor/Pullman (France)	212,500	1,875	n.a.	74
Marriott Corp. (USA)	160,968	698	n.a.	n.a.
ITT Sheraton Corp. (USA)	131,348	423	(259)	61
Hilton Hotels Corp. (USA)	94,452	257	(199)	7
Forte PLC (UK)	76,330	853	(288)	32
Hyatt Hotels/ Hyatt International (USA)	74,801	159	n.a.	54
Carlson/Radisson/Colony (USA)	69,104	315	(264)	n.a.
Promus Companies <sup>3</sup> (USA)	68,664	423	(315)	n.a.
Club Méditerranée (France)	66,269	269	n.a.	34
Super 8 Motels Inc. (USA)	53,336	863	(811)	1
Hilton International (UK)	50,779	151	n.a.	47

Source: Martin 1992, Baum 1992a

Notes:

1. Includes Ramada, Days Inns and Howard Johnson brands

2. Includes Quality, Sleep Inn, Econo Lodge and Comfort brands

3. Specializes in Casino hotels

These competitive pressures are forcing smaller independent companies to affiliate with marketing consortia and referral organizations to achieve global representation (Go 1990). As a result of the intense competition, consolidation of a previously fragmented sector is being achieved, particularly at the middle and upper market levels, through new building, takeovers, franchising, and the creation of consortia. These linked processes of competition and growth have encouraged a search for identity and product consistency,

expressed through branding, market segmentation and the development of new 'products' such as short break holidays (Tarrant 1989, 187).

Over three quarters of the hotel managers surveyed felt that competition is more severe now than ever before. It is interesting to note that small hotels do not feel as threatened by intensifying competitive pressures (Table 5.4). This result is not surprising when one considers that most of the recent growth of hotels in Montreal has been in the large and medium sized segments (Table 5.2). Many of the smaller hotels claim to have benefited at the expense of larger hotels because more money-conscious guests are looking for cheaper accommodations and more personalized service.

**Table 5.4: Major Pressures Facing Montreal Hotels**

	No. of Responses							Total
	Reces	Taxes	GST	Comp.	Quebec	Gov't	Other	
Small (22)	12	11	11	1	4	7	10	56
Medium (25)	20	6	13	9	11	1	6	66
Large (14)	13	6	6	7	12	2	7	53
Total	45	23	30	17	27	10	23	175

Note: Reces=Recession, Comp.=Competition, Quebec=Quebec issues, Gov't=Government issues

Much of the hotel sector literature (Dev and Klein 1993; Fisher and Marescotti 1993; Lanier and Berman 1993; Milne 1992; WTO 1990) has mentioned a future growth among large and small hotels at the expense of medium sized hotels. This is substantiated by this research as many medium sized hotels are feeling the greatest competitive pressure, not only from other medium sized hotels but from both small and larger hotels. Small hotels are better able to cater to current consumer demand, while the competitive advantage of larger hotels stems from their ability to acquire sophisticated technological resources.

### **5.3 Consumer demand**

As discussed in chapter 3, many commentators feel that the tourism industry is currently undergoing a transition caused, at least in part, by the emergence of new consumer attitudes and demographic profiles. Greater dollar-value, flexibility and personalized service are the most widely perceived demands of the hotel consumers of the 1990s (Fisher and Marescotti 1993; Peacock 1992; WTO 1990; Urry 1990). Changing consumer demand is considered a pressure by over 85% of those surveyed. The most



frequently mentioned change in consumer attitude was an increased demand for better value. This was well portrayed by one manager who described the 'new' consumer as having, "a beer budget with champagne tastes".

Travellers, and other tourist 'buyers', are also demanding higher quality and a greater variety of services. Managers surveyed feel that today's traveller is much better educated and knows what to expect from travel suppliers. Often to attract a particular clientele a hotel will offer a luxury item as standard, thereby increasing the expectations of the traveller, and the quality and services of the hotel. Furthermore, particular hotel characteristics help to perpetuate problems of competitiveness. For example, consumers are aware that since hotel rooms are sold in advance and demand fluctuates at each price level in relation to competition, he or she rarely pays the printed price for a hotel because they know that all hotels will accept offers that are reasonable (McGuffie 1990). As a result, sales staff must be prepared to do more negotiating and bargaining (Milne and Pohlmann 1994).

Equally important to hotels are wholesalers, travel agents and tour brokers who now account for about one-third of the room-nights consumed annually in the USA (Go 1992, 23). Using increasingly sophisticated technologies, these types of 'buyers' are able to compare prices and find alternative hotel space. As a result they enhance competition by playing one hotel off against another and force prices down (Milne and Pohlmann 1994).

An indication of growing consumer pressures is the introduction of yield management systems which allow advanced planning and allocation of a hotel's bedrooms and tariff structure to allow for different types of business. Their ultimate objective is the maximisation of occupancy rates and net revenue per available bedroom (McGuffie 1990, 23). They have become important to the hotel sector because they quickly provide the necessary information to enable a decision to be made about acceptance or rejection of any business on offer. They primarily help in facilitating negotiations with both corporate clients and travel agents (McGuffie 1990, 25). This new technology has helped to simplify the more complicated business of selling a bedroom, and provides a front-desk employee with greater negotiating power to handle the increasingly sophisticated and "travel-smart" consumer. While not yet widely used by Montreal hotels, many of the larger hotels surveyed did have some form of yield management system in place.

#### **5.4 Other pressures**

There are many Quebec-related cultural and political issues that are seen as detrimental to the competitive context. One of the most often mentioned Quebec-related pressures facing hotels is the unstable and unpredictable future of the status of Quebec within Canada. Many of those interviewed felt that many Canadian and American travellers would rather

travel or do business elsewhere (Table 5.4). One manager added that competing convention cities have used Montreal's location in an area of political uncertainty to steer potential clients away from the City and towards them. This pressure was especially apparent among medium and larger hotels who are more likely to attract convention delegates and out-of-province guests (Table 5.4).

Small hotels mentioned different pressures and were more concerned with high municipal taxes and a lack of government involvement with small hotel interests (Table 5.4). Montreal municipal taxes are considered to be among the highest in Canada, and this likely represents a larger proportion of a small hotels' revenue than it does for a larger hotel (HAGM 1990). Many also complained of the 'large hotel bias' among government bodies and their related associations who often deal with issues that are not applicable to small hotels. These are further examples of the need to take 'local' issues into account when analysing the restructuring of economic sectors (Norcliffe 1994).

### **5.5 Segmentation and specialization**

A growing feature of the hotel sector is increased product segmentation. The growth of budget hotels, All-suites and Bed & Breakfasts has been a reflection of this trend (Lanier and Berman 1993; Leitch 1989; Whelihan and Chon 1991). Time-based market segmentations have also developed. These allow a single hotel access to several markets, with the business hotel during the week becoming the family break hotel for the weekend (Tarrant 1989, 188). This segmentation strategy is particularly prevalent among large chain hotels who have added certain amenities to attract particular market segments. This is reflected by the names of the properties within corporations (Lavery and Van Doren 1990, 115). For example, Holiday Inn Corporation has upscale properties labelled Crowne Plazas, more middle class properties called Garden Courts and a budget segment known as Holiday Express (Hotel interviews).

The managers interviewed were questioned about increases in hotel segmentation. Most of the hotels interviewed did not consider themselves to be a niche hotel, nor did they feel threatened by their existence. However, 75% of the hotels did believe that there was a good future for niche oriented hotels. This is supported by the WTO (1990, 17) which states,

...hotels are increasingly addressing more specific sectors of the market; hotel product segmentation will assume greater significance in the future development of hotel companies...Overall, the pace of product segmentation will accelerate over the next 10 to 15 years, with most rapid growth likely to occur at the top and bottom of the hotel sector - in luxury hotels...and in the economy range where minimum levels of service are offered and which therefore should be cheaper.

This coincides with the earlier discussion of the 'hollowing out' of the hotel sector. Increasingly specialized hotels tend to be of the smaller variety, while larger hotels are able to diversify their products and cater to different tastes. This leaves mid-range hotels that are too large to specialize in any particular theme and cannot rely exclusively on one market source of revenue. Furthermore, they are too small to greatly diversify their stock (bedrooms) into different components that attract various market segments. In simple terms, this research supports the predictions of the WTO that product segmentation will increase at the expense of mid-range hotels.

## **5.6 Alliances**

Another trend of increasing significance to the hotel sector is the growth of alliances between hotels and other sectors that are directly or indirectly related to tourism. Alliances are relationships between independent parties that agree to cooperate but still retain their separate identities (Dev and Klein 1993, 43). These alliances take a variety of forms that include participation in marketing schemes and consortia, access to expensive reservation technologies, and lobby groups.

Many of the participants in this research stated that frequent flyer programs have revolutionized the hotel sector. An estimated 20% to 25% of airline traffic in general consists of travellers accruing benefits in airline frequent flyer programs, and 72% of business travellers participate in one or more programs (Mowlana and Smith 1993, 23). Many consumers choose only those hotels that allow them to accumulate frequent flyer points (Toh et al. 1991). Participation in airline frequent flyer programs was limited to larger hotels, of which almost 60% honoured and distributed points.

As a result of the popularity of these programs many hotels have also developed their own 'frequent stay' programs.

Subsector linkages among airline frequent flyer and hotel frequent guest programs with reduced-rate car rental incentives...[are] ...Made possible primarily through innovations in computer technologies, these links in turn triggered increasingly complex economic and information based interdependence throughout the tourism infrastructure (Mowlana and Smith 1993, 24)

In this research only 9% of the small hotels had programs that recognized their repeat guests compared to 40% of medium and nearly 80% of large hotels. The lower participation rate of small hotels in guest incentive programs probably stems from the expense required to set up and market an official program. Most small hotels rely instead on their personalized service reputation to entice their guests, who are mostly tourists, to

return. As a consequence, the flow of business people, who most frequently use frequent stay programs, are channelled to larger hotels who are able to offer these incentives.

Equally important is the development of hotel consortia. There are a number of types of consortia but the most important are marketing related: allowing independent hotels to gain access to national and international markets through joint promotions (Lavery and Van Doren 1990, 109). One of the leading global consortia, Best Western, describes itself as "an association of lodging members". It represents more than 3,400 independently owned hotels in 2,400 cities in 38 countries and makes about 9 million reservations per year (McGuffie 1990, 27). The other important type of consortia are those that provide hotels access to international and national reservation systems (see below). In this survey 22 hotels were part of a chain or consortia that provided marketing and sales publicity as well as access to hotel CRS systems. Moreover, independent hotels that need access to wider markets can join reservation centres that hook into CRS systems. In this survey another 13 hotels were members of a hotel reservation network (Table 5.5).

Groups or associations have also been formed in regions to represent hotels in negotiations with government over issues such as destination marketing and tax collection (Coltman 1990, 342). In Montreal, 44 of the largest hotels in the city are represented by the HAGM whose mandate is to provide links between hotels by meeting monthly to discuss concerns, collect statistics, and lobby for or against tourism related government action. In this survey, 24 of the medium and large hotels are members of the HAGM

But alliances are not only limited to large hotels. A group of smaller Montreal hotels have responded to what they call the 'large company' bias of government policy by forming the Association of Small Hotels of Montreal. Their principal mandate is to provide an organized front when dealing with government groups. As a unit together they represent more than 300 beds, putting them on an equal footing with one large hotel. In this survey, 10 of the small hotels are members of the Small Hotel Association of Montreal and 3 are Bed & Breakfast networks (Table 5.5).

**Table 5.5: Hotel Membership in Various Networks**

Hotel Size	Types of Alliance		
	Hotel CRS	Marketing	Lobby Group
Small	2	3 (B&B)	10
Medium	7	12	11
Large	4	10	13

### **5.7 Technology - Hotel CRS**

Currently, more than half of all North American hotel reservations are made through CRS (Go 1992, 25; Beaver 1992, 15; Travel Weekly 1992, 99). The marketing practices and in particular the distribution strategies of hotels throughout the world are increasingly influenced by CRS (Go 1992, 26). Hotels run the risk of losing business if they do not feature on these mega-systems. Any hotel featured on a CRS immediately becomes available to be booked by travel agents throughout the world (Beaver 1992, 15). Agents prefer not to call a hotel's central reservation office, even though it's a free call, because it is faster, cheaper and more efficient to book through the airline systems (Carper 1993, 68). It is clear that global CRS networks are changing forever how hotel reservations are made, and which properties get the business (Chervenak 1992, 22).

Although airlines created the first CRS, the lodging sector was not far behind. By 1965, Holiday Inn introduced Holidex CRS, which has been credited with helping to transform the company from a small budget chain to a world leader (Chervenak 1992, 24). Sheraton was a close second, introducing the 1-800 toll free number which has since been adapted by most large chain hotels. From that point on hotel CRS have gradually grown in sophistication and size (Chervenak 1992, 24). The main functions of a hotel CRS are to centrally control room inventory, provide yield management, facilitate extensive marketing, do the sales and operational reports, keep track of frequent flyers and repeat hotel guests, and provide better handling of packages and group bookings (Chervenak 1992, 26; McGuffie 1990). The biggest difference between airline and hotel CRS is that the former allows access to multiple airlines, hotels, trains, car rentals and so on, while hotel CRS is maintained in-house, within a company, or within voluntary reservation networks.

In the last 5 years hotel CRS has seen some significant developments. First, all major lodgings chains are investing in upgrading or developing new systems. In this research, 27 of the hotels were members of a chain or network consortia. Almost all who voluntarily joined these groups claimed access to CRS as one of the primary incentives. Secondly, new hotel CRS software has been developed that provides options for small chains and multiple-property hotels that want their own system. Third is the creation of a number of private-label hotel central reservation services that provide hotels with their own CRS without having to invest in equipment, software, facilities and staffing (Chervenak 1992, 25) (Table 5.6). One such organization that is used extensively by hotels in this survey is Utell International. Utell is the worlds largest independent hotel sales representative organization (Beaver 1992, 18), representing 6,500 hotels and handling about 1.5 million reservations per year, 98% of which come from travel agencies (McGuffie 1990, 28). In

this research, 13 of the independent hotels were members of a voluntary reservation consortium (Table 5.5).

**Table 5.6: World's Largest Voluntary Reservation Consortia - 1991**

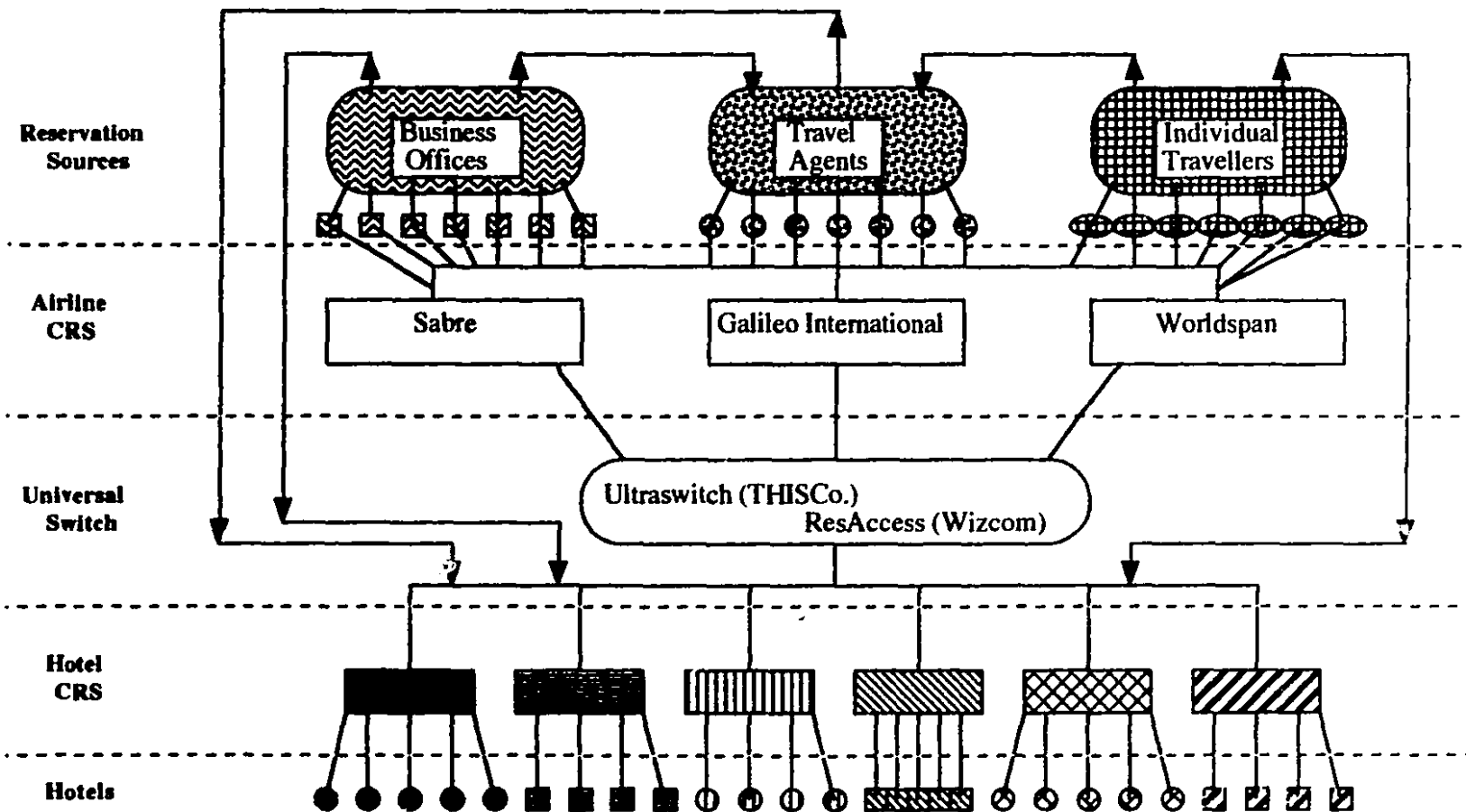
Company	Rooms	Hotels	HQ Location
Utell International	1,300,000	6,500	UK
JAL World Hotels	180,000	366	Japan
Supranational Hotels	117,168	628	UK
LRI/Grande Collection of Hotels	105,000	441	USA
Logis de France	80,036	4,594	France
Leading Hotels of the World	70,000	260	USA
SRS Hotels Steigenberger	60,000	270	Germany
Golden Tulip Worldwide Hotels	54,000	270	Netherlands
Foremost Hotels Int.	37,378	687	USA
Minotels Int.	30,000	700	Switzerland

Source: Baum 1992a, 61

Although hotel CRS and airline CRS have developed separately, neither is fully effective without some kind of link between them. To provide the needed link has been both technically and commercially difficult. As a result, two main types of intermediaries, providing a range of services, have emerged: those who are already providing a service and have automated their systems to improve their efficiency and outreach, like Utell, and those that enter the market to provide a 'new' service, like Avis with its Wizcom division, and THISCo. The latter two companies distribute a "universal switch" which provides an interface between any major airline CRS and any hotel central reservation operation (Archdale 1993, 6; Chervenak 1992, 26) (Figure 5.1). This allows hotels to provide up-to-date room availability information to travel agents through the airline CRS, and lets hotels gain control over the information that is displayed to travel agents.

The increasing dominance of CRS as a marketing and distribution tool has a number of important implications for hotels. International chains stand to benefit the most in the short term and will gain considerable competitive advantage should they be willing to invest in upgrading their in-house reservation systems and obtaining links with airline CRS (Milne and Pohlmann 1994; Go 1992, 25; McGuffie 1990, 32). In this research only 2 of the small hotels were part of a CRS. Of the 25 medium sized hotels 64% are part of a CRS organization, with all but 1 of the large hotels being connected to such a system (Table 5.7). Many of those surveyed felt that hotels need to be part of a CRS in order to survive.

**Figure 5.1: The Central Reservations Network**



Source: Chervenak 1992; Lindsay 1992

**Table 5.7: Variations in Montreal Hotel CRS Use by Size and Ownership Type**

HOTEL	Small		Medium		Large	
	CRS	NO CRS	CRS	NO CRS	CRS	NO CRS
Independent	2	20	4	7	-	1
Quebec Chain	-	-	2	1	2	-
International Chain	-	-	11	-	11	-

The advantages of being part of these systems are many. They provide marketing strength which allows hotels to exploit the customer profile data and direct their sales to specific clientele. These systems can also assist in developing yield management techniques which allow companies to match pricing structures to seasonal and weekly fluctuations in demand so that they can maximize their occupancy rates. In addition, major chains are able to get the majority of advance reservations from foreign clients before the local, and often independent, owner operator (Go 1992). The international chain hotels surveyed receive between 30-60% of their reservations through CRS. Independent hotels who have voluntarily joined a reservation consortia or CRS receive around 10% of their reservations through CRS, but they nevertheless feel it is important to be represented and that the investment will eventually pay for itself.

The increased reliance of hotels on airline CRS has other consequences. It is predicted that an increase in the published price of hotels is imminent because the cost of making reservations through CRS is equivalent to 25-30% of the published room rates. All reservations involve several commissions and transaction fees (Beaver 1992, 18; Go 1992, 25; McGuffie 1990, 41). In addition, airlines regard hotels as an ancillary service and therefore, they will standardize the display of hotels on CRS and include as many properties as possible to maximise transaction revenue. This contradicts the marketing objective of hotels to be unique and display their own identity (McGuffie 1990, 33).

It has been recognized in the literature that the dominance of CRS is a difficult obstacle to overcome for those unable to afford it. For example, McGuffie (1992, 18) notes:

smaller operators, and especially the independent hotels, may be faced with a stark choice. Either they band together a cooperative defense against the big guns in the industry, or they lose much of their ability to market themselves widely and internationally. At present, many seem not to have realised that technology may be overtaking them.



It is likely that small and independent hotels will suffer unless they attempt to overcome this handicap by joining voluntary marketing consortia which establish reservation systems similar to those used by large chains (Milne and Pohlmann 1994; McGuffie 1990,32). The major stumbling block is cost, and they will need to adapt by providing toll-free numbers. However, these numbers are often used only to gain information which can lead to delaying contact by others (Leslie 1990). Many small and independent hotels surveyed understood that they will eventually need access to a CRS in order to achieve economies of scale. The biggest problem is the cost, in the range of \$10,000 per year, which is beyond the budget of most small and independent hotels (hotel interviews). Those that survive without CRS affiliation will likely focus their sales on: regular customers, direct personal contact with those that control bookings in volume in their domestic markets, and with specialist operators and hotel booking agents. A significant source of publicity for small and independent hotels will continue to be personal recommendations (Chervenak 1992, 26; McGuffie 1990, 33).

As a response to the large firm bias of CRS access, there has been a growing interest in the establishment of regional CRS or destination databases by local governments to assist small and medium sized non-chain operations to gain access to wider markets and global reservation networks (Archdale 1993; Chervenak 1992, 26). The Quebec government was involved in setting up such a system called Reservations Quebec, a central reservation operation financed in collaboration with the Quebec Ministry of Tourism. While these regional reservation offices appear to be a good idea, there are potential problems associated with government involvement. Small companies are criticized by their larger counterparts, for being unfairly subsidized by the tax-payer. Travel agencies, on the other hand, feel threatened by the ability of potential clients to gain direct access to travel information previously supplied by the agency. Independent and small hotels in this research all welcomed the creation of Reservations Quebec. The larger chain hotels were less enthusiastic, citing the use of tax-payers money to subsidize private enterprise, but nonetheless were accepting of it, as they too were part of the system. I will return to a discussion of Reservations Quebec in the final chapter.

## **5.8 Labour**

Recent attempts to reorganize hotels and cut costs have been felt by all levels of labour: managerial, front-office and back-office. Before discussing these impacts in detail, certain key characteristics of the hotel workplace should be emphasized. The first is that most medium or large hotels are organised along relatively rigid departmental lines (eg. food and beverage, accommodation services, security) with each department often boasting a wide

range of job types. Management sometimes treats each department as a 'stand alone' unit, only increasing the differentiation between positions (Wood 1992, 146; Guerrier and Lockwood 1990, 412). The diverse range of positions found within any one hotel - from bed making to banquet preparation - will clearly make it difficult to discern whether dominant trends are emerging in 'labour processes'. This complexity is only heightened by the fact that the industry's labour force is made up of two broad employee 'categories' that overlay the aforementioned divisions: **front-line** workers are involved in direct contact with the consumer (eg. waiters, front office staff) while **background** workers perform 'behind the scenes' tasks (eg. making beds, preparing food, accounting).

While such a division of labour may seem rather crude, it does add an important dimension in our ability to understand changing labour processes within the industry. For example, performance in background jobs is largely measured in terms of quantity (how many bedrooms can be tidied during a shift) while quality is largely a matter of meeting externally imposed criteria. On the other hand, the performance of a frontline worker embodies both quantity and quality: with behaviour toward customers often viewed as just as important as the physical labour undertaken in performing the task (Drucker 1991). In other words, frontline performance must be viewed not only in terms of number of meals sold or clients 'checked out' but also in terms of producing a 'satisfied' customer (Urry 1990, 40; Britton 1991). As we shall see this division of labour has important implications for reward structures, processes of automation, training, and moves toward functional and numerical flexibility.

One final theme is that of hotel productivity. Despite heavy investments in technology during the past decade overall productivity has remained more or less stagnant (Roach 1991). In recent years, however, increasing competitive pressures have forced companies to move toward reducing labour costs while at the same time trying to increase the level and quality of service (Milne and Pohlmann 1994). Labour costs remain the hotel industry's single largest operating expense, but new software systems are helping to put a brake on these costs and increase the quality of service (Lattin 1990, 221). The 'service driven' approach is being increasingly adopted by the industry with a number of important ramifications for labour use, training and rewards structures.

### ***5.8.1 Labour and technology***

In his survey of the labour process in hotels Wood (1992, 133-137) points to two common misconceptions. The first is that the sector is simply labour intensive and that technology can play only a limited role in improving labour productivity and reducing

costs. The second is that where technology is introduced it is inevitably associated with processes of deskilling.

The hotel sector is both labour and capital intensive in different areas of operation and is increasingly influenced by new workplace technologies. A reduction in labour intensity can be achieved by either substituting capital for labour, by substituting the consumer's labour for that of the worker, or by some combination of the two (Wood 1992, 137; Riley 1991, 234). Front and back-office duties, cleaning and room preparation, security, maintenance, laundry, and restaurant/bar services are all experiencing major technological change (Tourism Canada 1988, Gamble 1990). The back-office has lagged behind front/guest contact areas in its adaptation of new technologies, but due to rising labour costs, lack of available skilled labour and the need to streamline costs, this too is changing (Bodlender 1990, 254). Computer based front and back-office management systems are spreading rapidly through larger hotels with benefits reported including increased staff productivity and decreased operating costs. Similarly advances in security, kitchen and point-of-sale equipment are reducing labour requirements (Gamble 1990).

In some hotels the introduction of technology is not possible because of a lack of investment finance and/or a lack of will on the part of management. For luxury hotels, who pride themselves on providing high quality personal service and a top quality product, labour savings are more difficult because the economic disadvantages and costs of technological rationalisation may be greater than the costs of maintaining a large workforce (Wood 1992, 137). By replacing employees with new technologies, personal service is diminished since fewer workers are available to immediately respond to customer demands. In this respect the theme of workplace reorganisation and the use of 'consumer labour' becomes paramount (Milne and Pohlmann 1994). For example, many of the larger hotels have installed automated television check-out in rooms so that the guest can check themselves out reducing the amount of work and traffic at the front desk. In the kitchen it is the menu itself that provides management with the greatest opportunity for reducing the workforce: a move toward simpler foods can allow substantial cuts/deskilling among cooking staff while self-serve buffets can reduce levels of serving staff. Similarly room service can be reduced by the introduction of mini-bars or coffee machines (Grimes 1991). The introduction of CRS at the front-desk can arguably eliminate the need to exercise all but the most elementary clerical skills since knowledge, control and technique are invested in machines that only require operators to input and extract information (Wood 1992, 136). Computers aid hotels in reservations management, guest accounting, room management, purchasing, payroll, inventory, and food and beverage control. Today it is even technologically possible to almost completely eliminate the human touch in hotels (for

example the all-electronic hotels in Tokyo and London) (Poon 1988, 539). The question is whether this will really happen since technology creates a degree of homogeneity among hotels at a time when hotels are seeking new ways to differentiate themselves from their competitors and stand out in terms of service.

The evidence for deskilling in the hotel and catering sectors in the wake of these changes is complex and a straight deskilling thesis cannot be applied (Wood 1992, 136). While technology has certainly reduced labour and skill requirements in a number of background areas it cannot replace the need and desire for human contact. However, by routinizing or simplifying certain tasks technology does allow front-line workers to reduce time spent on certain tasks while focusing more on the people-oriented activities that are so critical to a hotel's success (Quinn and Paquette 1990, 70; Schlesinger and Heskett 1991). Thus, it can be argued that technology will actually raise the overall skill profile of the hotel workforce by reducing, in absolute terms, the number of unskilled or repetitive background functions and broadening the customer contact functions of frontline workers (Milne and Pohlmann 1994).

On the other hand, it can also be argued that the process of skill rationalization may allow hotels to use technological substitution, thereby reducing the requirement for highly skilled staff (Riley 1992, 367). Due to the significant changes in the market, and greater hotel segmentation, it is likely that luxury units will continue to provide a high level of personal service alongside more basic hotels that provide less personal service and more do-it-yourself facilities. Technology and computerisation will be used to reduce staffing levels of non-luxury units, primarily in the back-office, and to improve guest service in luxury units (Bodlender 1990, 256).

My interviews revealed that the level of automation and its impact on employment varies significantly according to hotel size. Only 3 of the 22 small hotels surveyed used computerized systems to run day-to-day business activities, although a larger number had stand alone personal computers for accounting purposes. Nearly three quarters of the medium sized operations were computerised, meaning the front desk made use of computer technology for reservation and checking in purposes, while all of the large firms were automated with the exception of a privately run 'boutique' hotel. Many of these larger hotels also provided check-out capabilities from the rooms, had computer and fax terminals available to their guests, and could control the room temperature from the front desk.

The low level of technology adoption by smaller hotels stems from a number of factors. The consensus among management is that computerisation is not all that important at the small hotel level with some managers stating that they would rather focus on human contact and that the use of computers detracted from an establishment's 'personal touch'. Also

important was the limited ability of smaller operations to find affordable software suitable to their needs. It is interesting to note that the three operations that used computers for front desk duties had all developed their own software.

As would be expected the bulk of the small hotels stated that that no employees had lost their jobs due to technological change and most (two thirds) felt that future instances of technology related lay-offs would be limited. On the other hand over 75% of the large hotels felt that the introduction of technology had effectively eliminated some jobs in recent years, primarily routine back-office duties, such as the night auditor. Most stressed that these systems had been able to increase efficiency while increasing their time available for employees to provide better service to clients. It has also provided vast amounts of data and information concerning the clientele which helps in producing marketing plans and budget reports. In some hotels the technology has also played a role in creating new jobs, for example, some hotels have created a communications manager who is responsible for the fax, computer and special telecommunications needs of guests (Lecours 1993, 26). Furthermore, the increased amounts of data and information created by CRS and yield management systems has brought with it a need to hire people able to analyze the information and build larger sales and marketing teams.

### ***5.8.2 Flexible labour strategies***

Hotels have always made some use of flexible employment methods because of the high unpredictability and volatility of demand. Their use has become even more common since the 1960s when there was a shortage of labour and the move to use more flexible labour strategies was designed to deal with this problem (Bagguley 1990, 743). Of the two principal types of flexible labour, numerical and functional, the former is used much more extensively throughout the hotel sector. For example, in this research 74% of hotels would cut at least some of their staff during the low season, a form of numerical flexibility, with only 26% of hotels maintaining their entire staff throughout the year. Surprisingly, there was found to be little variation according to hotel size.

It seems that numerical flexibility is becoming a more significant aspect of hotel employment, especially among hotels with a wide variation in demand (Wood 1992; Bagguley 1990; Guerrier and Lockwood 1990). This supports theories of post-Fordism which claim that there is increased use of flexible employment strategies in a restructured industry. However, part-time workers frequently have firm specific skills, long term job contracts, and more recently, access to job training which contradicts post-Fordist theories that suggest such numerically flexible jobs are low-skilled and often temporary. In fact,

many hotels view their part-time 'peripheral workers' as significant participants in the running of the hotel.

Increasingly, ...hotels are recognising their part-time and casual staff as key elements of the establishment and [are] providing them with similar rewards to full-time staff. No longer are they seen as purely 'peripheral' (Lockwood and Guerrier 1989, 14)

A major implication for hotels using part-time and temporary staff is that they must deal with the tendency for temporary workers to lack commitment to the organisation and, as a result, produce a lower standard of service. To handle this problem, Guerrier and Lockwood (1990, 417) suggest improvements in benefit packages through incentives and bonuses, publication of a newsletter, and better training provision. In this survey close to 80% of the large hotels and 65% of the medium-sized operations had set up formal employee incentive programs. These incentive programs often stressed a mixture of productivity and qualitative components such as increased customer satisfaction to encourage employees to provide a superior service. Such approaches are far less common among smaller hotels.

Many tourism analysts have called for greater use of functional flexibility in hotels (Riley 1992; Guerrier and Lockwood 1990; Kelliher 1989) arguing that it provides greater job satisfaction and job security for employees. Furthermore, functional flexibility is said to offer employers greater labour flexibility and a more stable workforce since the increased training requirement involved is paid back by lower labour turnover and greater responsiveness to demand (Riley 1992, 364). The tendency towards functional flexibility is argued to be greatest in smaller hotels due to the fact that there are fewer employees who are required to do a multitude of tasks in order to maintain the smooth running of the hotel (see also Bagguley 1990, 741). There are few Montreal hotels adapting functional labour strategies, instead there are a clear majority of hotels cutting staff as demand warrants it. Furthermore, only one-third of the hotels, all larger, have any kind of formal training program that might increase levels of functional flexibility. While the literature predicts an increased interest in the use of functional flexibility, financial constraints due to the recession and price competition, limit the ability of many Montreal hotels to actively pursue a training strategy that would increase the skills of hotel staff.

A further characteristic of the hotel sector has been high levels of labour turnover (Hudson and Townsend 1992; Kelliher 1989; Riley 1992; Guerrier and Lockwood 1990). There are two distinct views as to the significance of labour turnover. The first sees it as problematic for the hotel sector but the second regards it as an unavoidable and necessary feature of the industry (Wood 1992). The first view is expressed as a result of indifferent

attitudes of management towards labour issues. Since management does not regard turnover as a priority problem, many employees feel little loyalty towards a company, and are often dismissed from a job for the most trivial of reasons (Wood 1992). This helps to reduce any need for training since it is regarded as a wasted investment of time and money. In turn, this leads to workers receiving low pay and little opportunity for career path advancement. This scenario tends to be viewed as something of a vicious cycle with limited advancement and poor working conditions perpetuating high turnover (Milne and Pohlmann 1994). This view is supported by Hiemstra (1990, 218) who surveyed 99 hotels in the USA and found that managers in this sector have become accustomed to surplus availability of entry-level workers and high turnover rates. In fact, Hiemstra found that in some cases, rapid staff changes appear to have been encouraged in order to keep wages near entry levels. The second, more optimistic view stems from the idea that high turnover is necessary in order to develop employee skills. It is argued that promotion within one organization is not common so through a series of job changes an employee gains new skills by moving on to a higher status establishment than in previous jobs (Wood 1992; Riley 1980).

This survey revealed that the average turnover rate for all hotels hovered around the 10% level with most respondents noting a decline in recent years. This decline is mostly due to the lack of alternative employment caused by increased recessionary pressures. However, increasingly management is realising that high levels of turnover not only increase things like training costs and worker compensation claim rates, but also have a negative impact on consumer service and levels of return business (Milne and Pohlmann 1994). For example, a study recently undertaken by the Marriott Corporation showed that a 10% reduction in turnover would reduce customer 'non-repeats' by up to 3% and raise revenues by between US\$ 50 and 150 million per year (Schlesinger and Heskett 1991, 76).

In recent years there has been an increase in demands placed on hotel workers due to labour cutbacks and new technologies. Theoretically, this should coincide with improved reward structures but the hotel sector continues to be characterized by very low pay. In fact, many of the surveyed managers recognized that low pay was a major factor in boosting turnover levels and reducing worker performance, but they also felt that basic wage rates were unlikely to rise significantly because of increased pressures to cut costs. The research did reveal some interesting ideas to reduce turnover that involve changing some traditional hiring and training practices. For example, when hiring for front-line positions, there seems to be a greater tendency to employ people without previous experience in the hotel sector but who possess general computer knowledge and have an ability to interact well with clients. Another approach to improving turnover performance is

the use of 'quality circles' where employees and management formally discuss possible improvements to the areas of work in which they are involved.

Other forms of flexibility, such as pay flexibility and subcontracting strategies, have always existed in hotels. Pay flexibility has been manifested through the use of individual wage contracts, tipping and employee incentive programs. The subcontracting of certain tasks like laundry, has also been a significant aspect of the hotel sector (Bagguley 1990, 742). Approximately 60% of the hotels surveyed made some use of sub-contracting with laundry and maintenance being the most commonly subcontracted tasks. Half of the small hotels tend to sub-contract and among medium sized hotels the proportion is slightly greater (68%). The lower level found in large hotels (57%) reflects their tendency to be more heavily unionized with resultant restrictions on the range of sub-contracting that can be done. It is interesting to note that several managers of large hotels said that they would seriously consider expanding the use of subcontracting if union resistance could be diminished. It is, however, important to realize that levels of sub-contracting appear to have increased little during the past decade.

### **5.8.3 *Other labour issues***

The concept of the 'flattened organization', cutting away at middle management and getting the CEO as close to the customer as possible, has become significant in the hotel sector during the 1990s (Lecours 1993, 25). On numerous occasions senior management of large hotels would discuss attempts to 'flatten' the organisational pyramid of their operation and indeed only three had not cut middle management levels in recent years. In fact, a couple of hotels had completely eliminated their middle management staff. This approach is often seen as a way of cutting labour costs but also brings more work and requires higher levels of skill from remaining employees. One hotel maintained that initially the cuts were made as a means of reducing labour costs during a period of severe financial constraint, and their intention was to eventually replace those positions once the financial crisis had lessened. However, this and other hotels no longer intend to refill these positions since computer technology has effectively handled many middle management functions and the remaining staff has incorporated all other middle management tasks into their duties. This finding reveals a key weakness in much of the current literature on economic restructuring - its lack of attention to middle management layoffs.

The hotel sector is also heavily dominated by women, with three quarters of those surveyed employing a clear majority of female labour. The findings also reveal that lower skill positions, such as housekeeping, tend to be over-represented by women. Women also tend to be disproportionately represented among part-time and seasonal positions in



general. These findings tend to support the work of Bagguley (1990, 743) whose detailed study of labour use in the UK hotel sector revealed that there is a distinct gender division in the form and extent of work flexibility. In other words, men are more likely to be involved in 'functional' types of positions such as general hotel management, while women mostly hold 'numerical' types of jobs such as cooks, kitchen staff, domestic staff and cleaners.

While women clearly dominate the lower ranks of the hotel sector, this survey also found that the proportion of women working at the management level was surprisingly high with 50% of those surveyed claiming that at least 50% of management personnel were female. However, it is clear that the majority of this employment fell in the middle and lower management areas with a 'glass ceiling' effect reducing upward mobility into higher positions (Guerrier 1986, Hicks 1990). Over one third of the small hotels surveyed were run by women, but among the medium sized hotels the figure fell to 24%. No hotel with more than 200 rooms was run by a woman.

## **5.9 Summary**

The hotel sector is facing new pressures brought about by an increasingly competitive environment. Intensifying competition and changing consumer demand have forced hotels to find new ways to respond to a 'new', more demanding, competitive context. Large hotels increasingly have the ability to expand into new areas and segment their products to cater to changing consumer demand. Small hotels are well situated to provide particular niche-type accommodations without high overheads. Furthermore, the research demonstrated the increasing importance of mega-CRS and alliances, especially among larger hotels. CRS provides larger hotels with an important competitive advantage over medium and smaller sized operations which often have neither the money nor the expertise to gain access to reservation networks. Small hotels feel less at risk because they will continue to attract those travellers who want something that cannot be offered by larger hotels, either in terms of price or the 'personal touch'. It is the medium sized, and small, non-specialized hotels that will suffer the most in the emerging competitive environment as they do not have the financial revenue to invest in new technologies or take risks in providing a new 'product'.

Hotels are becoming increasingly technologically intensive and it appears that employment growth will slow in the future. A likely scenario is that low-skilled, behind the scenes work, such as food-preparation, security and back-office functions, will be greatly affected by increasingly affordable labour saving technologies. Middle management is already being cut as larger companies attempt to flatten their organisational structures.

Skill requirements will likely increase in remaining jobs but it is unlikely that wage rates and rewards will keep pace with the rising demands made of labour.

These findings indicate that the 'new' political economy frameworks discussed in chapter 2 can, at best, offer only a partial explanation of the shifts occurring in the hotel sector. Post-Fordist approaches are useful when explaining why shifts are occurring by focussing on changing consumer demand and increased global and local competition. They are also useful in explaining the growth of small, niche type companies catering to specific markets, and in the growing importance of strategic alliances. However, some problems arise when discussing issues of technology and labour. In the hotel sector, technology certainly has the capability of effectively replacing some workers but it is unlikely that they will ever completely replace front-line workers since the need for human contact remains an integral factor in the hotel business. The hotel sector has always relied on part-time and temporary labour, and part-time workers are often considered as valuable as core employees. Recent attempts by hotels to reduce labour costs (such as middle management cuts and technology replacement) are unrelated to their use of flexible labour strategies since the high variability of demand has always required that hotels use these methods to maintain the smooth running of a hotel. Consequently, it seems certain that the Montreal hotel sector is experiencing a period of restructuring but post-Fordist theories are not entirely adequate in explaining the dynamics involved.

## **CHAPTER 6**

### **THE MONTREAL TRAVEL AGENCY SECTOR**

#### **6.1 The travel agent**

Travel agents are an integral component of the travel distribution network and receive the bulk of their income from commissions on the sale of travel products (Lavery and Van Doren 1990, 70; Richter 1987, 226). In addition to selling travel products, they are expected to be professional counsellors with an in-depth knowledge of major tourism products and travel destinations (Leblanc 1992, 10). In order to conduct these functions efficiently travel agents rely on access to information through computerized information systems. Bitner and Booms (1982, 43) suggest that there are three roles for a travel agent. First as a decision maker, in which they actually help people to decide when, where and how to travel. Secondly, as salesperson in which they promote travel that might otherwise not occur. And thirdly, as a clerk to process requests for specific airline tickets or room accommodations.

This survey covered a wide array of agency types. The 40 travel agencies surveyed were classified as either catering to business or pleasure clients, as selling all types of travel or specific travel products, and by ownership type (Table 6.1). Travel agencies ranged in size from those that employed only a couple of people to those with staffs of more than 40.

#### **6.2 The competitive context**

The travel agency sector faces a wide variety of competitive pressures (Table 6.2). Increased competition was mentioned by 35 of the 40 travel agency managers, 25 of them indicating that it is the most significant pressure they face. These findings are supported by the research of Dilts and Prough (1991, 40) who surveyed 201 US travel agencies about their thoughts on the competitive environment. Over three quarters of their respondents agreed that competition was becoming "substantially more intense" since the latter half of the 1980s.

The rising intensity of competition results from a number of factors. Foremost are recessionary pressures and increased amounts of new entrants into the travel agency sector (Table 6.2). Although all types of agencies have felt the pressure of intensified competition, business agencies are particularly sensitive to recessionary pressures because most companies, in efforts to cut costs, reduce their corporate travel expenses. Pleasure travel agencies felt most of their competitive pressures stemmed from intense price wars among airlines and tour operators over which they have little control.

**Table 6.1: Characteristics of Travel Agencies Surveyed**

Type	Total No.	Product		Ind. <sup>3</sup>	Ownership type		
		Gen. <sup>1</sup>	Spec. <sup>2</sup>		Chain <sup>4</sup>	Network <sup>5</sup>	Umb. <sup>6</sup>
Business <sup>7</sup>	14	8	6	6	4	3	1
Pleasure <sup>8</sup>	12	7	5	3	5	2	2
Both <sup>9</sup>	14	8	6	6	5	3	2
<b>Size</b>							
Small <sup>10</sup>	9	6	3	4	2	1	2
Medium <sup>11</sup>	17	10	7	5	5	6	1
Large <sup>12</sup>	14	7	7	6	5	1	2
<b>Total</b>	<b>40</b>	<b>23</b>	<b>17</b>	<b>15</b>	<b>12</b>	<b>8</b>	<b>5</b>

Notes: 1. General agencies that sell travel to anyone anywhere

2. Specialized agencies that sell a specific type of travel or sell to a specific market

3. Independent operation

4. Part of local, national or internationally owned chain

5. Part of network of travel agents that are affiliated for economic and marketing reasons

6. Umbrella operations that work under the license of a larger agency but are independent

7. At least 70% of revenue derived from business clientele

8. At least 70% of revenue derived from pleasure travel

9. Agencies that do not meet the criteria listed in notes 7 & 8

10. Agencies employing 5 or fewer people

11. Agencies employing between 6 and 10 people

12. Agencies employing more than 10 people

Another source of increasing competition has been the tremendous growth in travel agency consolidation as individual travel companies look for new ways to increase economies of scale and reduce operating costs. In addition, the travel agency sector has witnessed the entrance of many large, non-travel companies into the travel retail business in recent years. Finally, competition is further exacerbated by the ease of entry of new travel agencies since there is little overhead or skill required, nor is there any difficult certification process. As a result, the travel retail sector is an ideal business for budding entrepreneurs and large companies looking to diversify because it does not require substantial start-up costs and involves relatively little risk.

**Table 6.2: Major Pressures Faced by Travel Agencies**

Type	No. of Responses			
	Recession	GST/Taxes	Discounting	Competition
Business	13	8	6	9
Pleasure	6	9	5	8
Both	8	9	11	8
<b>Travel Product</b>				
General	14	15	16	15
Specialized	13	11	6	10
<b>Ownership Type</b>				
Independent	11	9	5	12
Chain	8	8	10	6
Network	4	6	4	6
Umbrella	4	3	3	1
<b>Size</b>				
Small	8	5	6	5
Medium	10	11	9	12
Large	9	10	7	8
<b>Total</b>	<b>27</b>	<b>26</b>	<b>22</b>	<b>25</b>

Note: See Table 6.1 for agency classifications

### **6.2.1 Recession**

The recent recession has had a major impact on business travel operations (Table 6.2). The combination of recession and airline deregulation has led to intense price wars among airlines and tour operators. As a result, many business travel agencies have suffered a double blow caused by decreased business travel and reduced ticket prices. Many of those surveyed expressed the opinion that the decline in business travel was likely to be permanent because corporate consumers have become much more aware of their travel costs. On the other hand, the recession has had a more limited effect on those travel

agencies dealing in pleasure travel. For these agencies, the recessions' biggest impact was an increase in price comparison by consumers.

A recent American survey of travel agencies found that the rate of travel agency growth had slowed significantly during the recession years. It revealed that there was an increase of only 8% between 1989 and 1991, compared to an increase of 24% from 1987 to 1989 (Travel Weekly 1992, 11). The survey also found that over 40% of travel agencies had operated at a loss over the same period (Travel Weekly 1992, 11). According to Duvall et al. (1993, 10) small travel agencies (those with less than \$2 million in sales) were especially hard hit by the recession. They found that there were 10% fewer small travel agencies in the USA during the summer of 1991 than at the beginning of the year.

### **6.2.2 Discounting**

Discounting refers to the last-minute, greatly reduced specials from tour companies, and seat sales by airlines. This practice effectively decreases the final commission received by travel agencies. For example, a flight to Toronto from Montreal would normally cost \$500, and the travel agency would receive approximately \$50 in commission, but with seat sales reducing the price of an airline ticket to \$120, the travel agency would then receive only \$12. This type of discounting has resulted in real fare reductions especially on highly competitive rates (Travel agency interviews).

Discounting can also refer to the agent's voluntary reduction of the price of an airline ticket or package tour by cutting into its own commission. Due to the relatively limited profit margins involved in travel retail (around 10-12%), the margin for providing discounts or rebates is limited (Davidoff and Davidoff 1986, 38). This research showed that many in the travel retail sector felt that there was little desire to stop or reduce levels of discounting. As a result, profit margins, and therefore revenues, have been decreasing. Many of the small and medium-sized travel agencies surveyed are unsatisfied with this type of discounting because the larger travel agencies tend to have greater negotiating power and can therefore obtain better commissions from airlines and tour operators while also offering lower prices (Bitner and Booms 1982, 43) (Table 6.2).

Another discounting strategy is the use of preferred suppliers. Generally, agencies are not supposed to be tied to any particular airline or hotel and therefore are thought to be impartial in their advice (Coltman 1989, 337). Yet the majority of all travel agencies encourage sales personnel to sell the 'preferred' supplier in order to take advantage of override commissions, using other suppliers only when the service of the preferred supplier does not meet the customers needs (Davidoff and Davidoff 1986, 34). Override commissions are extra payments designed to encourage the selling of a particular airline's

seats rather than those of another carrier. Override commissions are awarded to the travel agents by the airlines in return for increases in volume or in market share. As a result, there is greater leverage for discounting airfares if they are able to sell the required amount.

Hotels are also providing incentives for travel agents to book with them. For example, Radisson hotels provide prizes through the accumulation of credit. Every time an agent books a Radisson hotel through the CRS the former receives 10 points for every dollar booked (Dineen 1993, 29). These practices eliminate the unbiased nature of the travel agent in the distribution system (Truitt et al. 1991, 30). In fact, a recent travel agency survey in the USA reported that when travel agents were asked if they confine their bookings to select operators, 81% said they were using a preferred list (Travel Weekly 1992, 32).

Discounting has become so common that most clients know they need not pay the brochure price. Some managers primarily blame the airlines for the continuing discounting of travel packages and airfares (especially last minute) forcing other tour operators to do the same. One of the biggest problems resulting from intense discounting of airline seats is that consumers have come to expect low fares, especially when travelling on 'last-minute' specials (Long 1992, 123). As a result of intense discounting wars, travel agencies have little control or knowledge of what will be on special from one week to the next.

My interviews revealed that discounting was felt by all types of travel agencies, but especially by those that sell both business and pleasure travel and by chain related travel agencies (Table 6.2). Both these types of agencies are particularly sensitive to discounting techniques because they often attempt to provide travel products for all tastes and market segments but find themselves selling mostly discounted travel products to maintain a client base. Among specialized and independent travel retailers discounting is far less common (Table 6.2). Their products are sold for their quality and type, and not on the basis of price. In fact, many of the specialized travel agencies interviewed stated that they would not accept business from clients demanding only the lowest price.

### **6.2.3 Consolidation**

The travel agency sector has been characterized by a series of takeovers and mergers in recent years (Thompson 1990, 210; Truitt et al. 1991, 33). The growing concentration of global agencies has, in turn, resulted in the birth of "mega-agencies" (Davidoff and Davidoff 1986, 31). Mega-agencies have developed for a number of reasons. First, there is a need for a certain level of operation to be able to afford the sophisticated systems and automated equipment required to keep up to date with the complex and changing travel information. Furthermore, many agencies grouped together following the lowering of

commissions on air ticket sales to cut costs, and to consolidate corporate accounts. Many of these consolidated agencies believe that economies of scale can best be achieved by encouraging large corporations to centralise their travel business. As a result, many smaller, regional travel agencies, handling branches of these national corporations, have lost their accounts (Davidoff and Davidoff 1986, 38). In addition, the travel industry literature suggests that larger agencies have higher profit margins, and therefore they are in a better position to absorb the costs of discounting and rebating (Bitner and Booms 1982, 43; Feldman 1989). This is due to the fact that mega-agencies are able to exert greater influence when negotiating fares and commissions with the airlines.

Corporate travel companies have also grown for other reasons. Long after corporate controllers began looking for efficiencies in the labour force, on the production line and in management, they began questioning travel expenses. Travel expenses rank third in controllable costs after labour and data processing, and corporations increasingly want to reduce them (Feldman 1989). Thus, travel agencies have felt pressure to grow to achieve breadth of geographical cover to meet corporate travel needs and retain strong purchasing power with suppliers.

During the 1980s there were a number of consolidations among travel companies as well as a marked increase in travel agency franchises. A USA travel agency survey found that in 1987 only 7% of those surveyed had acquired another agency in the previous two years, by 1989 this had jumped to 16%, and by 1991 29% had acquired other agencies (Travel Weekly 1992, 22). This trend is expected to continue as many of the largest agencies reported an upswing in inquiries from small firms looking for buyers in 1992 (Crocker 1992, 118). This same USA survey also found a 29% increase in large travel agencies (those with sales over \$5 million) while overall there had been only a 3% increase in travel agency locations. Though they are still far outnumbered by smaller travel agencies across the USA, larger travel agencies have continued to increase their share, accounting for 11% of all agencies and, more significantly, providing 36% of total agency revenue (Table 6.3).

While little quantitative evidence exists concerning the prevalence of consolidations among Montreal travel agencies, the qualitative findings of this research generally support the USA survey. Many Montreal travel agents felt that large agencies would continue to increase their presence in the local market through consolidations and takeovers. For example, during the course of this research, Thomas Cook merged with Marlin Travel to create one of the largest business travel agencies in Canada.



**Table 6.3: Dollar Volume and Market Share of US Agencies**

Size of Agency by Revenue	% of All Agencies		% of All Revenues	
	1989	1991	1989	1991
Under \$ 1 million	27%	30%	8%	8%
\$1-2 million	39%	34%	25%	22%
\$2-5 million	25%	25%	36%	34%
\$5 million or more	9%	11%	31%	36%

Source: Travel Weekly Survey 1992, 26.

Competition, especially in business travel, is greatly affected by the growth of such multinational chains. These corporate travel companies are able to attract large corporate accounts because of their international size, ability to get better incentives from airlines, and the provision of various travel related services. For example, American Express and Thomas Cook, two of the largest travel companies, can offer services that other companies cannot and because of their size and breadth the overall cost of these extra services is small (Feldman 1989, 64). This is supported by the Montreal research which found that many of the business travel agencies were concerned with the number of consolidations that had taken place over the last decade. Many of them cited the ability of such agencies to offer low corporate rates and free ancillary services which are beyond the means of most smaller, independent travel agencies. Of the 14 business travel agencies interviewed in this research, only 3 would be considered small and none of them are independent (as defined in Table 6.1). All three have linked with organizations or chains that offer these extra services because they see it as the only way for them to remain competitive.

#### ***6.2.4 Ease of entry by new competitors***

Travel retailing is an attractive cash-based business and its low entry costs and rather glamorous image have continued to attract a large number of independent operators. The capital cost of setting up a travel agency is less than almost any other kind of retail business because the agent requires relatively little in terms of stock (Lavery and Van Doren 1990, 69; Mayhew 1987, 72). Furthermore, in most jurisdictions, only a local license is needed. A typical agency will receive "appointments" from groups, such as IATA for international airline ticket sales, and from the agency's domestic airline association.

In order to get an "appointment" from one of these groups, such as IATA, the travel agency has to prove, in the first few months, that it can operate in a reputable, business-like manner. The associations want to be sure that a travel agency will have the competence to

represent the suppliers, have a good location to attract sufficient volume, and have a reasonable financial standing (Coltman 1989, 341). During this period an agency must pay cash to obtain tickets from the carriers. As the tickets are sold the agency receives its cash back but does not receive any commission. Once the "appointment" is received, commissions will be paid to the agency retroactively for those first few months, and they will no longer have to pay cash to obtain tickets. From that point on, as tickets are sold, the agency will give the cash from the ticket sales to the supplier and hold back the commission earned (Coltman 1989, 341).

Many of those surveyed expressed the desire for government to adapt some kind of regulation, along the lines of the European system, whereby people who want to open a travel agency must have minimum 5 years experience in the business before they are granted a license. Many claim that as a result of the loose regulations in Quebec, there has been a proliferation of new travel agencies in recent years, especially those selling discounted, often last minute, travel products. Many of those interviewed complained that these types of new entrants concentrate on undercutting their competition, adding another level of competition to an already highly competitive sector.

Airlines may deal with any retailer that adheres to the airline's standards, therefore, travel agents are faced with competition not only from an abundance of local travel retailers but from other new competitors (Bitner and Booms 1981; Dilts and Prough 1991, 37). These new competitors include many non-tourism industries that have decided to encroach on the traditional territory of conventionally defined tourism companies. Some examples include banks and department stores which are in contact with large volumes of customers, and therefore they have the potential to provide retail travel agency services; banks have an additional advantage of being able to supply other complimentary financial services such as loans, insurance, travellers cheques and foreign currency transactions (Britton 1991, 457). Other industries entering the travel agency business include financial services, such as American Express, Access and Visa, who offer a wide range of travel support products from accessories and valet services to world-wide insurance and money supply (Lavery and Van Doren 1990, 74). For example, Diners Club, a credit card company owned by Citicorp., offers along with its card, a travel management system linked to travel agencies. They also provide information on trip planning (not booking), emergency cash, and car rental insurance (Feldman 1989, 61).

Some airlines have also developed their own retail and wholesale outlets. For example, Quebec's Groupe Transat owns Air Transat, Transat tour operators, and has a controlling interest in the travel distribution networks Club Voyages, En Liberte and Tourbec (Interview with Club Voyages). Many department stores also offer travel products because

it helps to raise their profile, offers a more complete service and brings in some additional revenue (Mayhew 1987, 65). Both Sears and JC Penny have attempted to sell travel through their catalogues (Davidoff and Davidoff 1986, 32), and Sears now operates a chain of travel agencies that are located separately from their department stores. To compete with Sears, Zellers has recently established a travel retail department as well.

Others cutting into the competition include wholesalers and consolidators who are running their own travel retail outlets by selling directly to the public. Consolidators operate with the participation of the airline industry. The airline sells tickets to the consolidators and gives them a rebate or commission as high as 40%. The consolidators, in turn, distribute the tickets to retail travel agents at commissions that vary from 15-35% (Coltman 1989, 339). They sell most of the flights of a particular airline to travel agents, though this study found that some consolidators did sell directly to the public as well. As a result they are able to undercut the travel agencies because no commission needs to be paid.

In this research, the travel agencies that are the hardest hit by new competitors are independent and medium-sized operations (Table 6.2). Both types of agencies have much to lose should new types of competitors enter the travel retail market. Independent travel agencies cannot easily reach the broad markets that department stores and airlines can, nor can they afford many of the extra services and lower prices that banks and consolidators provide. Medium-sized travel agencies are also finding it more difficult to compete because they do not have the financial resources to takeover other operations, demand higher commissions, or provide extra services. Furthermore, they are often too large to specialize in just one type of travel, needing revenue from a wider variety of travel resources in order to maintain a steady income, and are often unable to sell the required amount of travel products that would allow them to receive higher commissions. As a consequence, the travel agency sector seems to be suffering a similar hollowing out process that was found to be affecting the hotel sector. In the new competitive travel agency environment, both large chains and small specialized agencies are growing at the expense of medium-sized, especially independent, operations.

### **6.3 Consumer demand**

One of the driving forces behind the evolving competitive environment has been shifting consumer demand. All of those surveyed had noted some kind of change among their customers (Table 6.4). Most had noted an increased demand for greater value, while fewer respondents had also noted a greater demand for quality and variety in the travel product.

**Table 6.4: Percentage of Changes in Consumer Demand**

Change in Demand	Agency Type				
	Business	Pleasure	Both	General	Specialized
Value	55	66	69	72	45
Quality	27	20	25	22	32
Variety	18	7	--	3	18
Environmental	--	7	--	--	5
None	--	--	6	3	--
Total	100	100	100	100	100

Note: See Figure 6.1 for agency classifications

While an account can still be lost on service, it is increasingly being won on price and cost control (Mayhew 1987, 52). Price has always been a major factor when choosing travel products but seems to have increased its importance throughout the recession years. Among business travel retailers there is a clear feeling that demand has changed as companies are 'trimming the fat' and are now watching every dollar they spend. Leisure travel agents must deal with increasing demands by customers for higher standards of service, greater value and specialisation (Mayhew 1987, 64). Among business travel retailers, high levels of service quality are often used as competitive tools to differentiate one company from another. In fact, with the increasing importance of technology in the travel distribution network, there has been a homogenization of travel retail as all participants are accessing the same systems. As a consequence, there is little difference in price among all travel agencies and they have almost no control in setting price levels. As a result, travel agencies need to focus on a distinctive feature that will set them apart from their competitors, often attempting to build their reputation on service quality.

It is argued that consumers once favoured organized vacations to familiar areas but with increased levels of education and travel experience they are now demanding greater choice (WTO 1990). Today's consumer is more often purchasing only the flight and travelling on their own. Furthermore, more than half of the agents surveyed noted a decrease in the length of holiday resulting in a noticeable increase in the amounts of 3 and 5 day packages being supplied by the tour operators. This raises the question of whether increased travel product variety results from consumer demand or from tour operators who want to increase interest in new, more profitable, types of travel. Some argue that shifts in demand patterns are followed closely by the market, so that trends of increasing numbers of self-catering holidays and flight-only arrangements are precluded by a more sophisticated and discerning consumer (Buck 1988, 74; Bennet 1993, 260).

The travel literature is replete with articles heralding the growth of new forms of specialized travel. These 'new' travel products have come under many different headings from eco-tourism and adventure travel to educational tours and cultural travel. The participants in this survey were asked whether they had noted any increase in demand for such specialized travel products. The result was fairly evenly split with 58% noting a greater demand for specialized travel and 42% indicating that there was little new demand for specialized types of travel. Many who did not perceive any change felt that mass tourism would always be important since it is easy to supply and relatively inexpensive for the consumer. In fact, many survey respondents stated that specialized travel was not a new phenomenon, and that there had always been a small but significant demand for more exotic travel. Some trends seem to indicate, however, that consumers are increasingly dissatisfied with mass packaging, but this does not mean that travel suppliers will offer only 'individual' holidays. The 'individual' market will continue to exist and is expected to expand but its overall volume of clients will remain far below that of mass tourism (Mayhew 1987, 64).

Agents were asked if they had noticed an increased demand for, or supply of, 'flexible' tours. These tours were defined as being travel packages that allow consumers to manipulate how, when and where they want to travel. These types of holidays demand greater skills of the travel agent as they must be fully aware of all travel supply options, and be able to properly manipulate a CRS in order to retrieve the relevant information. A majority (67%) of the respondents had noted a greater supply of, and demand for, more flexible package tours, the most popular being packages that provide cars and flights or hotel only. A further 20% of the respondents noted an increase in the variety of packages available to one destination. This provides greater flexibility as it allows consumers to choose the tour most suitable to their needs. A recent USA travel agency survey supports the trend found in this survey. They found that the minimum-category tour (flight and/or car and/or hotel only) now accounts for 54% of all packages sold (Blum 1992, 34).

#### **6.4 Segmentation and specialization**

While there has been a significant growth in travel agency consolidations there has also been a growing interest in smaller agents that specialize in specific modes of travel, destinations or types of traveller. Nearly 90% of travel agencies in the USA have revenues of less than \$5 million a year and small agencies (those earning less than \$1 million a year) increased from 27% of all locations in 1989 to 30% in 1991, though they are still making only 8% of the total revenue (Travel Weekly 1992, 26) (Table 6.3).

With the recognition of an increasingly segmented market, travel agents are redefining their priorities. At the one extreme American Express Travel Related Services are geared to global travel management, encompassing not only business travel but the whole management of travel and entertainment expenditure. At the other extreme, leisure-based multiples or small independents offer local, individual service based on strong knowledge and involvement in the local community (Mayhew 1987, 67).

Smaller agents have also developed specialized services, something that big travel companies have yet to do on a large scale (Feldman 1989, 67). Nearly 70% of those surveyed believe that there is a future for specialized travel agencies and that their growth is likely to continue. Many mentioned that it might be the only way for new independent travel agencies to get into an established and saturated market; by specializing in one area, an agency can bargain for better rates and provide their clients with the lowest prices.

The remaining 32% of those surveyed generally felt that specialized travel agencies are limiting their options. Should something happen to the area in which they specialize (war, natural disaster), or if there is a low season, the agency would need to have an alternative travel option to remain in business. To provide specialized travel products without limiting one's supply, some travel agencies, including some large chains, have opted to specialize within the firm. This way they still provide a variety of travel products to the consumer but each of their employees are experts on specific destinations or types of holidays and can therefore provide all information needed with confidence (Sorbelli 1987, 344).

A single outlet or image can no longer appeal across the total range of potential customers. The travel agency sector is splitting into different businesses, at one level into business travel, group travel, incentive travel: but beyond that into outlets reflecting different lifestyles and cultures. For example, corporate travel is one of the most important areas of specialization today. It has been taken away from the street level retail shop and moved into purpose made office units equipped with specialised staff and technology (Mayhew 1987, 51; Gates 1991).

## **6.5 Alliances**

Over the last decade there has been a proliferation of new types of affiliations as a result of the creation of travel retail mega-agencies and the emergence of new competitors like airlines, consolidators, wholesalers and tour operators selling directly to the public. Also, the power of CRS to produce significant gains in productivity forced a number of travel agents either to merge with competitors or discontinue operations (Davidoff and Davidoff 1986; Feldman 1989). The 1980s can be characterized as the decade of consolidations for the travel agency sector in the USA as a number of agencies either disappeared or joined

forces with others (Truitt et al. 1991, 33). Due to these events which have significantly increased competition, new types of industrial organization based on partnerships and alliances have become more common (Ahem 1993; Davidoff and Davidoff 1986; Feldman 1989; Thompson 1990). Since the travel agency sector is made up of a large proportion of relatively small, locally owned businesses, many of these smaller agencies are exploring these new options to expand operations and gain greater access to national marketing campaigns, higher commissions and more sophisticated technologies.

Only a quarter of the travel agencies surveyed are completely unaffiliated with any other travel agency, network or chain. The remaining three quarters are either owned by a larger organization, are partnered with another travel agency or network, or work independently under the license of a larger travel company. Most of the agencies surveyed agreed that one needs to be affiliated with a network or chain in order to remain competitive because these associations provide much greater visibility, higher commissions and an image of stability.

One option for independent travel retailers is franchising which allows the travel agency to benefit from a franchise organization's expertise, operating system and national advertising (Coltman 1989, 340). Another option is to join a travel agency association or cooperative such as Club Voyages or ITP (Independent Travel Professionals). Members of these cooperatives can benefit from higher commissions negotiated by the head office through bulk buying approaches. Agencies also pay an annual membership fee to the head office but not an ongoing royalty based on sales, as is the case with franchise agreements (Coltman 1989, 340). With the continued growth of chain agencies, franchises and cooperatives, the independent travel agency entrepreneur will find it more and more difficult to survive financially.

The corporate travel sub-sector is characterized by a continued growth of large, multinational companies. Four-fifths of corporate travel in Canada is handled by only 5 companies, therefore the threat to small independent corporate travel agencies is very real (interviews). Many of those surveyed doubt whether they can survive in the future without some kind of affiliation and have joined consortiums that concentrate on providing special services and networking capabilities (Davidoff and Davidoff 1986, 36). In the USA, the number of agencies affiliated with associations specializing in corporate travel has increased to 20% in 1992 from only 13% in 1989, and 8% in 1987 (Travel Weekly Survey 1992, 116). In this survey over 70% of the business travel agencies were either part of a large chain of travel agencies or had joined a corporate travel association.

Leisure-oriented consortia and cooperatives date back to the late 1960s. Their major function is to negotiate with travel suppliers for over-ride commissions based upon the combined sales of member agencies. Among agencies primarily selling leisure travel, the

percentage of consortium members in the USA has risen steadily from 36% in 1987 to 41% today (Field 1992, 121). Of the 26 pleasure travel-oriented agencies surveyed (includes pleasure and both - see Table 6.1), 18 were either part of a larger chain or affiliated with a consortia. Higher commissions from suppliers, greater efficiencies in the office, and a better overall knowledge of travel are among the primary benefits agents say a close working relationship with other members of the sector can bring (Field 1992, 121).

A few agencies have opted to share expenses with other local travel agents while retaining their own employees and independence. Most of these associations are formed because they allow some expansion of business without loss of control over advertising or independence (Travel Agency Interviews). Of the few agents who have remained completely independent, many claim that larger chains do not provide the high quality service that one can get from a smaller, independent agency. They repeatedly state in the interviews that the ability of an agency to give personalized service is far superior if one is independent than part of a large chain or network. In the long run, many felt that personalized service will help an agency keep their clients and high quality service is increasingly more important to the competitiveness of a travel agency.

Travel agencies have formed their own mega-association. ACTA, the Alliance of Canadian Travel Associations, is responsible for bringing travel retailers, wholesalers and tour operators together. Sixty-eight percent of the travel agencies surveyed were members of the local ACTA chapter. Their mandate is mainly to lobby for various changes within the sector and local government. They are supposed to keep agencies abreast of trends and events in the travel sector and to help develop the travel industry within the city economy. Each province has its own chapter to deal with their specific problems.

## **6.6 Technology**

Technology has become a significant factor in the business of retail travel. While the primary capital investment needed in a travel agency is a CRS system, many have discovered that further investment in office automation and other client-oriented technology can provide a needed competitive boost. Agents use information technology in the day-to-day planning and management of their operations, in fact, many suppliers of CRS now provide software packages with office applications such as accounting, payroll, sales and profitability analysis systems, as optional extras (Truitt et al. 1991, 22). In the USA, 51% of agency locations have automated accounting systems. This is a significant increase from the 45% that did in 1989, and the 38% that did in 1987 (Travel Weekly 1992, 17).

In my research 70% of the travel agencies were entirely automated. This means they had personal computers that did the accounting and invoicing, automated telephone



answering, and kept memos, schedules and up to date information stored on computers. Often these functions were integrated with the CRS. Many multinational travel companies, like American Express, are also expanding their technology-related operations to provide extra travel related computer services to their clients, such as travel management systems and expense report software.

One of the most recent advances in travel agency operations is the Satellite Ticket Printer (STP). An STP sits in an office of a corporation and, when activated by a travel agent through a telephone line hook-up, prints out tickets in the office of the corporation. This can eliminate the high costs of delivering tickets and eventually allow companies to manage their own travel requests, eliminating the need for an outside travel agent (Coltman 1989, 338; Davidoff and Davidoff 1986, 36). A recent USA survey found that 13% of agency locations already deliver tickets and issue boarding passes via a satellite ticket printer (Travel Weekly 1992, 46).

Also in use today for the general public are airline ticket-dispensing machines accessed by a credit card, these are located in banks, supermarkets, airports and other convenient areas. It is not likely that automatic ticketing machines will initially take a large share of the market because the system of routes and airfares would need to be simplified for the average tourist who has limited time and interest in sorting through a great deal of information to find what is desired. Furthermore, ticketing machines cannot offer counselling and other services that are normally provided at a travel agency (Coltman 1989, 338; Davidoff and Davidoff 1986, 32).

Nevertheless, expert systems are being developed that will enable the prospective traveller to provide some parameters of intended travel, and the computer then generates a number of possible consumer products (Bruce 1987, 117; Urry 1990, 50). It is now possible, through cable and satellite, for travel suppliers to by-pass agencies and sell directly to the consumer (Bennet 1988, 35). For example, customers with a microcomputer and telephone modem can directly access airline reservation systems through computer data banks and networks. They are not only able to make their own airline, hotel and car rental reservation charged to a credit card, but also, given enough advance notice, have the ticket sent to a home or business address (Coltman 1989, 338).

The growth of CRS technology over the last decade has been rapid. In 1981 only 69% of all US agency locations had access to CRS, this rose to 90% in 1985, and now 96% of all agencies have access to a CRS (Travel Weekly 1992, 17). These numbers are presumed to be slightly lower in Canada. In this survey only 5 travel agencies had no access to a CRS (Table 6.5). They were all independently owned operations. Two of these travel agencies sold only travel to specific destinations that were not yet fully available on these

systems, and another was in the process of reinstating a system that was temporarily cut to save costs.

**Table 6.5: Variations in CRS Use by Product and Ownership Type**

Ownership	Business		Pleasure		Both	
	CRS	NO CRS	CRS	NO CRS	CRS	NO CRS
Independent	5	1	2	1	4	1
Chain	4	--	6	--	4	--
Network	2	1	1	--	3	--
Umbrella	1	--	1	1	2	--

The most common CRS in this survey was Sabre which was used by 57% of the travel agencies, followed closely by the 40% who used Apollo. Apollo, owned by United airlines, was linked to Gemini, the CRS that was formerly owned by Canadian Airlines and Air Canada. Since these interviews were conducted, Canadian Airlines has successfully pulled out of Gemini and has joined with American Airlines' Sabre system and as a result, Gemini has been dissolved. Air Canada has built a new CRS that will continue its link with the Apollo system (Hallman 1994a, 1994b).

Those working with Apollo chose it for its better Canadian content, but many complained about a range of glitches and said that it could be quite slow. One respondent even jokingly referred to it as "appalled". The main advantage of Apollo, despite all the criticisms, is that it is less expensive than its Sabre counterpart. Sabre received higher praise from its users and is referred to as a more complete and solid system. It is considered to be more technologically sophisticated and represents more airlines. Its biggest fault is its higher price.

All agree that the advantages of CRS are numerous, regardless of the system in use. Airline CRSs offer travel booking and information collection and dissemination capabilities necessary to cope with the forecast growth in tourist movements. These systems are seen as a definite advantage to the business as they allow information retrieval and transactions to be completed almost instantaneously (Bennet 1993; WTO 1990, 21).

Despite the many benefits of CRS, there are also some disadvantages for travel agents. The cost of these systems for small, independent travel agencies can be enormous. Though the price varies among the systems, on average they cost approximately \$250-350 per month for the rental of one terminal including communication costs and maintenance. In addition, there is a one-time installation charge per site that can run into the thousands of

dollars. Travel agencies can reduce these costs by booking a certain amount of tickets per month. For example, Worldspan provides a 100% discount on the monthly rental if at least 300 bookings are made on the terminal. The size of the discount depends on the number of bookings made, a minimum of 150 bookings must be made from each terminal to receive a minimum 25% discount (Sloane 1990, 12). Consequently, CRS may cost nothing for some larger travel agencies but most small travel agencies would be unable to sell the required amount of tickets to bring down the price.

A further disadvantage concerns bias. Travel agencies can normally afford to join only one system, which means that they sell products available only on the networks that system is linked into, thereby limiting consumer choice (Bennet 1993, 264). Furthermore, there are problems with the supplier's placement on the screen. Most analysts estimate that 50% of all flight bookings are made from the first line of listings displayed while 75% come from the first screen. This produces a 'bias' effect for those airlines, usually the host airline of the system in use (Truitt et al. 1991, 27; Bressand 1989, 54). Another difficulty is the so-called 'halo' effect. This occurs when a travel agent books flights primarily with the CRS's parent rather than those of competing air carriers because agents have more confidence in the accuracy and timeliness of the information provided by the online carriers (Truitt et al. 1991, 28).

## **6.7 Labour**

### **6.7.1 Labour and technology**

New technology has had a massive impact on the travel retail sector during the last decade. The question of how this will impact the need for employees, or even the very existence of travel agencies, has been the source of some debate (McGovern 1994). Some have argued that the effect of new technology has been to reduce the customer:employee ratio and to displace jobs from the individual travel retailers to centralized booking centres (Shaw and Williams 1994, 143). The respondents of this survey were asked to discuss their ideas concerning the impacts of technology on employees and the travel retail sector (Table 6.6).

Almost half (47%) of those surveyed felt that technology is capable of eliminating some jobs in the travel retail sector. On the other hand, 53% claimed that personal contact is still an important element of such a service-oriented business and therefore, technology will not quickly replace travel agency staff. Those that argue that technology has eliminated jobs point to the computerisation of previously manual tasks, such as billing, ticketing, and accounting, which has resulted in more efficient data handling and processing. This, in turn, has reduced the requirement for staff and, hence, has lowered operating costs (WTO

1990, 14). Indeed, jobs have already been lost in the reservation and information offices of tour operators and carriers (Bruce 1987, 116).

**Table 6.6: Technological Impact by Type of Travel Sold**

Type of Travel	Elimination of Jobs		Travel Agency Extinction			
	Yes	No	Yes	No	Impact Only	Role Change
Business	5	9	5	3	3	2
Pleasure	8	3	2	6	0	2
Both	5	8	1	6	2	3
Total	18	20	8	15	5	7

Others felt that while technological systems have been able to reduce the need for employees, especially in reservations, they have also created a lot of work in data and systems analysis. One respondent said that his company was no longer considered a travel agency but rather a travel management company because they not only provide travel information and reservations, but also the latest in travel computer technology to assist their clients in receiving the best service possible. As a result, they have eliminated a lot of the low skilled staff and created work for highly skilled specialists. Greater knowledge and an ability to work easily with computers is now essential, along with greater sales ability and high quality service skills. For example, the impact on the front-line staff will be less quantitative than qualitative: technology will be used to enhance or substitute knowledge skills by providing quick and easy access to information (Mayhew 1987).

Almost half of those surveyed said they had not replaced any employees as a result of new technologies (Table 6.6). People are still very much needed in order to operate the technology, and research destinations and prices. As technology increases in sophistication and so assumes more tasks, it enables staff to concentrate on providing a better personal service because less of their time will be expended on routine administrative tasks (Bennet 1993, 261; Bruce 1987, 117). As a result, employees will need less detailed memory of travel facts and more selling skills to identify and satisfy a customers' real needs. As such, the principal role of the travel agent will change from being a vendor of travel products performing clerical tasks, to that of a consultant requiring greater knowledge and communication skills.

With the extreme advances in computer technology and telecommunications over the last couple of decades there has been some discussion concerning the possible extinction of

travel agencies (McGovern 1994). The argument is that consumers could directly access all their travel needs via personal computers, television and automated travel machines in department stores and pharmacies. The most dramatic scenario is the elimination of travel agencies in their present form from the chain of distribution. This survey revealed that 46% of respondents do not believe that technological advances would threaten their existence but another 23% felt that it is most definitely a very real threat (Table 6.6). A further 20% felt that it would impact the sector by changing its primary role from a travel retailer to a travel consultant, and thus, attract people seeking information concerning travel.

Many of those surveyed did not feel threatened by the introduction of direct access technologies because they do not provide all the information consumers desire on flights and package tours. Most consumers need to consult with an 'expert' about certain areas, they need to have someone provide them with information and technology is not always capable of offering every option that is available. As long as the travel agent can offer high quality, comprehensive and personalized service, which cannot be provided by a home computer, then the risk of revenue loss is reduced (Anderson 1988, 34). New technology is appropriate for those who know exactly what they want but if one is shopping around then an agent is still important. While computers and automation make certain aspects of the business more efficient, they cannot solve all problems and they especially cannot replace personal service (Feldman 1989, 69).

The survey revealed that business travel agencies feel the most threatened by the growth of direct access technology, with 38% claiming that corporate travel retailers will eventually disappear (Table 6.6). Combine this with the 23% who feel that there will be some kind of impact, and one finds that over 60% of business travel agents feel at least somewhat threatened by technology. By way of comparison, only 20% of pleasure, and 25% of agencies providing for both business and pleasure, felt threatened by new technology. This finding is supported by the WTO (1990, 14) who state,

Travel suppliers will be increasingly able to target their products and services directly at the corporate sector and may choose to reduce the role and importance of the travel agent in facilitating travel bookings.

It would seem that in the short term there will continue to be an important role for travel agents in the travel distribution system, but only if they adapt to new technologies and concentrate on their consultative skills. The long term future is less clear and highly dependent on the ability of today's travel agent to take advantage of tomorrow's opportunities.

### 6.7.2 Other labour issues

In such a labour intensive industry where human knowledge and guidance is one of the most important components of the service provided, finding ways to cut labour costs can be difficult. A recent US survey found that in order to reduce costs, many travel agencies, are using outside agents, changing staff from full-time to part-time, hiring only part-timers, freezing salaries and laying off employees (Travel Weekly 1992, 116). My interviews revealed a growing use of outside agents who work their own hours and are paid on a commission basis. In total, there were 18 travel agencies that employed outside agents (Table 6.7). Interestingly it is mostly the larger travel agencies that made use of outside agents. Almost two-thirds of the large travel agencies had outside agents but less than half of the medium and only a quarter of the small travel retailers had them (Table 6.7).

**Table 6.7: Travel Agency Employment**

# Employees	100% FT <sup>1</sup>	<50% FT <sup>1</sup>	>=50% FT <sup>1</sup>	Outside agents <sup>2</sup>
Small (5 and less)	5	--	4	2
Medium (6 to 10)	3	4	10	7
Large (11 plus)	3	4	7	9
Total	11	8	21	18

Notes:

1 - Full-Time

2 - Number of travel agencies that also employ some outside agents

Many respondents that had both outside and full-time agents felt that having a mixture was good for business. Often employees working on commission are more aggressive in getting sales but are not as relaxed and accommodating to the client as those on a salary. The proportion of outside agents employed by a travel agency often reflected the agency's business philosophy. Those with a high proportion of outside agents were more concerned with selling a high volume of travel products than those with very few outside agents who were more concerned with the quality of service and retaining repeat clients.

Travel agencies are heavily dominated by women. Some have argued that this is because females are more likely to accept employment that is part-time and which allows them to work their own hours, features that are characteristic of travel agency employment (Chadwick 1992). In this survey 87% of the travel agencies employed a majority of female workers. Unfortunately, this is also an sector plagued by long hours, low pay and little recognition. It was aptly termed a "pink collar ghetto" by one female travel manager

because of the high proportion of women found in the lower paying positions. While women most definitely dominate the lower ranks of the travel agency sector, they also seem to be successfully infiltrating the upper management and ownership ranks. In this survey 21 respondents were female managers or owners and 19 were men. This is in contrast to the hotel sector, where women were under-represented among owners and general managers. This discrepancy is probably based on the fact that travel agencies are much more abundant and they tend to be much smaller operations than hotels, therefore women are more easily able to infiltrate the upper levels of travel agency management.

## **6.8 Summary**

Travel agencies have gone through immense changes and developments over the last two decades. During the 1980s, the sector experienced a period of consolidation which brought about a flurry of consortia and acquisitions that were meant to increase an agency's negotiating power, consolidate corporate accounts and allow easier access to information systems and CRS. As a result, travel agencies, like hotels, have felt increasing pressures that are brought about by new levels of competition and changing consumer demand. To respond, many travel agencies have restructured their operations in order to remain competitive. Larger chains have altered their operations by providing new services, or by purchasing existing travel agencies to expand their operations and cater to a new market. At the same time, there has been a continual growth in small, specialized travel agencies that cater their services to a specific region, client or travel product. Indications are that mid-sized agencies (with sales volumes of \$1-5 million) will suffer the most. This is supported by a US survey that found that the number of travel agencies with revenues of \$1-5 million have declined 5% since 1989 (Table 6.3). Consequently, it is the medium and small sized, unaffiliated travel agencies that sell mostly general travel, that seem to be facing the most uncertain future.

In order for corporate travel agencies to survive, companies must be on the leading edge of technological developments and be able to exploit them as quickly as possible. In the pleasure travel sector there will be growth of more specialized travel and in order to remain competitive, companies must adapt some kind of travel niche or be prepared to link up with a network.

All travel agencies, regardless of ownership type or travel product sold, are demanding greater skills of their employees. General agreement exists that travel agents need to concentrate more than ever before on being good business managers, effective sales people, and expert travel advisers (Kendall and Booms 1989, 29). It is also understood that with the growth of technology providing easier direct access to the consumer, there

will likely be some job loss and fewer travel agencies overall. Of those travel agencies that remain, there may be a shift in the role of travel agent towards greater consulting skills (Sorbelli 1987, 345; Bitner and Booms 1982).

Many of the organisational responses pursued by travel agencies, are typical of those discussed in the context of post-Fordist debates. The increasing use of alliances, the continuing concentration of ownership, along with a growing number of small, specialized travel retail companies, are characteristic of an sector in the process of restructuring. Furthermore, technology has radically altered the *modus operandi* of most travel agencies, allowing for more efficient and comprehensive service to their customers. It is still debatable whether technology has eliminated many jobs in the sector, but it has certainly allowed the industry to grow without the concomitant increase in labour demand (as one finds in the hotel sector). Finally, the increasing use of outside agents is certainly indicative of a more flexible use of labour. It allows an agency to increase their business input which permits the firm to build a reputation with a supplier and increase their overall commissions, without incurring a salary expense. As a result, it seems that many of the core themes of post-Fordist theories appear to have some applicability to the study of changes in the travel agency sector.



## **CHAPTER 7**

### **CONCLUSIONS**

This chapter begins by outlining the major findings of the research. I review the main competitive pressures affecting the Montreal hotel and travel agency industries and then focus on the key areas of corporate restructuring that have been addressed throughout the thesis: organizational structure, the adoption of new technologies, and shifts in labour use. I also turn my attention to an important issue that has been raised in earlier chapters - the role of government in assisting tourism product development and promotion. In each of these cases I draw a range of conclusions regarding the ability of post-Fordist theories to explain and predict the changes that have been occurring. This, in turn, allows me to make some broader comments about the possibility of adopting post-Fordist frameworks as the basis for a more service-informed approach to understanding economic change. I then focus on some of the implications of the findings for government policy and suggest some areas where further research is required to improve our understanding of tourism change. The final section of the chapter presents some general thoughts about the broader implications of these findings for the study of services, and concludes with a brief discussion of some of significant theoretical implications raised by the research.

#### **7.1 Summary of major findings**

##### **7.1.1 *The competitive environment***

Levels of competition have been intensifying in recent years, causing both hotels and travel agencies to adopt new competitive strategies. Since the late 1980s, hotels in Montreal have been dealing with severe recessionary pressures and an increasing supply of hotels in Montreal. Competition among travel agencies has intensified due to an onslaught of travel agency consolidations during the late 1980s, combined with the emergence of many new entrants to the travel retail sector.

Since tourism was created to serve people's leisure desires, its various sectors are greatly affected by shifts in consumer demand. Numerous factors have been suggested as contributing to the development of a 'new' tourist including demographic and social changes, economic variations and technological developments (Bentley 1991). Almost all the hotels and travel agencies surveyed noted a change in consumer demand: primarily manifest in the increased desire for better value and quality in travel products.

This research found that consumer demand is changing. There is a greater variety of travel products and new types of travel have evolved that cater to this new demand. In addition, hotels have put a greater emphasis on high quality service by offering all kinds of

extras (eg. flowers in room, morning newspaper under door, billing in room) and options (eg. executive floors, 'clubs' that provide free meals and lounge, frequent guest programs) to the more discerning consumer.

Changing tourist demand has also helped to bring about 'new' types of tourism. The emergence of specialized travel agencies and hotels in recent years are a reflection of this trend. An important question is whether these 'new' forms of tourism are replacing older, mass-oriented travel products and suppliers. To assume that there is a straight shift from mass tourism to 'new' forms of tourism is too simplistic. In fact, it seems that the tourism industry is becoming more and more complex, incorporating a broader variety of travel options. For example, mass tourism remains a thriving and essential component of the tourism industry, while at the same time, new forms of tourism, such as eco-tourism and cultural travel, have evolved as a result of changes in demand.

New tourist demands are likely to complement rather than replace many of the well established existing patterns, such as mass tourism... In the future, the overall market for tourism will not only be larger, it will also be more complex and competitive (Pearce 1989, 292).

Hotels and travel agencies were greatly affected by the recent recession as many consumers limited their spending habits, especially on luxury items such as travel. Furthermore, both sectors have expanded rapidly over the last two decades, greatly increasing the supply of hotels and travel agencies throughout Montreal. These developments coincide well with post-Fordist theories that identify increasing levels of competition as one of the most significant pressures causing firms to restructure their operations.

As a result, it would seem that theories of post-Fordism are generally appropriate in explaining why the tourism industry is restructuring, but they do not go far enough in understanding many of the complexities that still exist in the tourism industry. For instance, mass tourism remains a viable and profitable form of travel in a restructured tourism environment (Shaw and Williams 1994; Urry 1990; WTO 1990). This does not coincide with post-Fordist theories which indicate that mass forms of production and consumption have gradually been succeeded by flexible production systems that cater to a more discriminating consumer. Another important theoretical discrepancy revealed by the research is the primary change in consumer demand as experienced by the surveyed hotels and travel agencies. While most agreed that consumer demand had shifted, the majority perceived the change as a desire for better value, a kind of demand rarely addressed in post-Fordist theories. While issues of value are not disregarded by post-Fordist theories, they do stress that firms no longer rely on price as their only source of competitive advantage,

yet price remains a very important factor among tourists in Montreal. Consequently, the increased consumer emphasis on value and the continued strength of mass tourism in a 'new' competitive environment indicates that the reasons for tourism restructuring are more complex than post-Fordist theories would suggest.

### **7.1.2 Industry organization**

The changing competitive environment of tourism is affecting large and small firms differently. Strategies of segmentation, networking, consolidation and specialization are occurring among tourism firms of all sizes - creating a complex mixture of organizational responses. The 1980s saw an incredible growth in the supply of hotel rooms and travel agencies in Montreal, mostly due to consolidations and new competitors. However, the 1990s has seen many large firms attempting to downsize their operations through staff reductions and the shedding of non-profitable branches. As a result, expansion capabilities became limited by a firm's financial resources. More recently, large firms have been applying alternative organizational strategies, such as networking and segmentation strategies, in order to expand and diversify their operations without incurring high costs or unnecessary risks.

As an alternative to consolidation, many large tourism firms that want to expand their operations without increasing their costs have turned to large scale strategic alliances. These are especially prevalent among large hotel and travel agency companies who link with other travel and non-travel firms to gain access to various promotions, such as frequent flyer programs. The nature of tourism almost forces such links to take place as companies often have to work together to provide a complete travel product. It is likely that such links will continue to grow and become more integrated and complex. New types of affiliations are being created all the time producing an increasingly integrated tourism industry.

Large firms are also segmenting their products in order to cater to (and stimulate) the diversity of consumer tastes. Initially, specialized travel companies were mostly made up of small, independent firms. Recently, like manufacturing sectors, larger tourism companies have increased their focus on competing in this market (Urry 1990). Segmentation is particularly prevalent among large, multinational hotels, many of which now offer various types of accommodations that provide different levels of comfort. This strategy effectively diversifies their product, enabling them to please a variety of consumer tastes and incomes. Large travel agencies have begun to specialize within the firm. They have set up individual departments that specialize in different types of travel. When a client requests a particular type of vacation, they are simply transferred to the 'expert' group.

This is done easily through the sophistication of CRS which provides almost all the required information. These tourism firm strategies have primarily benefitted large companies, and this, in turn, has put increased pressure on smaller firms to find new ways to compete in the global tourism environment.

There is no doubt that small capital continues to be of enduring significance in the tourism industry, especially among hotels and travel agencies that are heavily dominated by small, independent entrepreneurs. Since the late 1980s, however, integration (both vertical and horizontal) and consolidation of tourism companies has been the most prevalent new form of organisational structure. With the growing concentration of large hotel and travel agency companies, many of the smaller firms have begun to look for new ways to increase their competitive advantage. Smaller firms may have an advantage in the new competitive environment because they are considered to be more flexible, but they face encroaching larger firms that are becoming more flexible because they have the means to access sophisticated technologies and form strategic alliances. Hence, smaller firms need to find new ways to compete. Many of them have found success by specializing in market niches not addressed by larger companies, and by relying heavily on strategic alliances to bolster their presence in the market place.

Many smaller, especially independent, hotels and travel agencies have begun specializing in specific clientele or travel 'products'. Many small hotels label themselves as 'inns' or 'bed and breakfasts' to entice the interests of particular market segments, while many smaller travel agencies have specialized in market niches not yet widely developed by their larger counterparts. Small tourism companies are also relying on various types of networks and alliances to gain access to broader markets, new technologies and advertising opportunities (Ahern 1993; Dev and Klein 1993; Poon 1990). In both the hotel and travel agency sectors, alliances have been formed to provide access to CRS systems and for promotional purposes. These affiliations have become so important that many of the managers in this research viewed this strategy as one of the only ways that small and/or independent firms could continue to successfully compete.

The concept of consortia, designed to assist small producers has become very important in tourism. ....Networks of shared costs, resources and information will help small hotels to alleviate some of the constraints of small size and enable them to obtain the benefits of scale economies (Poon 1990, 119).

Firms of all sizes in both the hotel and travel agency sectors have merged or formed networks and alliances in order to remain competitive. There has also been increased specialization, especially among smaller firms, but with the advent of sophisticated

technology larger companies are also able to provide many of these specialized products. As a result of these tendencies, a hollowing out of both the hotel and travel agency sectors is occurring. It seems certain that large and small firms will continue to grow through various alliances and segmentation strategies. It is the mid-size, mostly independent companies that will likely find it more difficult to compete because they cannot afford sophisticated technology, nor can they risk specializing in a single market or product.

Post-Fordist theories are, to some degree, useful in helping to understand the changes in the organisational structure of these tourism sectors. Clearly the thesis findings do not support the early flexible specialization assertions that small firms dominate the new competitive environment. Instead, the emerging competitive tourism environment reflects those organizational structures that have been described more recently by commentators who argue that there is an increasing role for both small, specialized firms and large companies - with the latter remaining an important feature of the 'flexible' economic environment (see for example Martinelli and Schoenberger, 1992 and Milne 1993).

The role of both small and large firms in the restructured competitive environment has been addressed by many, but few post-Fordist theorists have discussed the theme of industry hollowing that is characterizing the new tourism environment. In fact, post-Fordist theories do not appear to adequately address the different levels of organizational complexity identified in this research. While there has been an increase in both networking and segmentation, large and small firms are implementing these strategies in different ways and for different reasons.

### **7.1.3 *New technologies***

The most significant new technology discussed in this study is CRS which has had an impact on every aspect of the tourism industry. It is now an integral part of the travel agency sector, where it has been able to increase the efficiency and productivity of travel agents. CRS has even been described as having revolutionized the travel agency sector because it has been effective in reducing staff needs and changing skill requirements. While fears of technology replacement are abundant among travel agencies, there is a general feeling that it would never replace the counseling feature of travel agents. As a result, a greater concentration on personal service is a key feature in future travel agency development. CRS has also become a significant competitive tool for the hotel sector, helping firms target specific clientele and maximize occupancy rates.

Both sectors have also been influenced by other technological advances. From office operations software (accounting, yield management, payroll, etc...) and interactive televisions to satellite ticket printers, these tourism sectors are becoming increasingly

technologically sophisticated, allowing those firms who can afford these new technologies to gain an important source of competitive advantage. While there is no denying the benefits of these new technologies, especially CRS, they have also had an impact on labour needs. While some jobs have been created by them, such as computer programmers and technical experts who build these systems and train others to use them, others have been displaced. Where job loss has occurred, it has primarily affected back-office functions.

Among the surveyed hotels, smaller operators do not feel it is necessary to computerize their operations, while most larger hotels rely on computerized systems for almost all their day to day transactions. As a result, technology related job loss is insignificant for most small hotels while most larger hotels have effectively replaced some employees, especially those performing back-office functions. Technology seems to be less of a threat for front-line staff as it is used mainly as an adjunct to their principal duties of dealing with customers.

What is important to note is that both the hotel and travel agency sectors provide products in which personal service is an essential element. It is generally understood that computers could never completely replace the human touch. Recently, many hotel and travel agencies have focused on providing high quality service as a source of competitive advantage. Rather than regarding technology as a means of replacing employees, many tourism firms are instead using technology to enhance worker productivity (particularly in front-office situations). Technology can therefore be regarded as a resource that supports the functions of front-line tourism employees and allows them to have more time to focus on individual service.

In the tourism industry, new technology and personal service do not have to be mutually exclusive since technology can be used to enhance the quality of personal service. However, some new technology is also used as a cost-cutting source of competitive advantage to eliminate employees, mostly those working at back-office functions, such as night auditors, whose tasks are highly routine and do not require them to come in contact with the customer. Overall, there has been some job loss due to new technologies in both tourism sectors but they are relatively few when compared to manufacturing.

New technology investment has been significant in the tourism industry, but it has not yet resulted in the productivity increases that have characterized the manufacturing sector in recent decades (Wood 1991a). In many manufacturing firms technology effectively substituted labour and significantly increased the efficiency of production. It is too difficult to make the same conclusions about the hotel and travel agency sectors because their technological needs are highly diverse, and therefore, impacts of technology vary according

to the degree of personal contact required in a job, the size of the company, the amount of routine work, the effectiveness of the technology, and so on.

Many of the new technologies, especially CRS, can certainly be considered 'flexible'. For example, CRS enables the development of 'flexible packages', which are customized tour packages devised by the consumer, without any serious cost drawbacks or time-consuming research. Furthermore, technology does appear to be leading to new skill requirements and can alter job boundaries or the degree of job flexibility to some extent. For example, a travel agent currently seeking employment must possess computer knowledge of most CRS systems and be certified by a credible travel agency school.

There are many areas of discrepancy between the actual use of technology in hotels and travel agencies and how theories of post-Fordism view the role of technology in a restructured environment. Generally, among manufacturing firms, technology is used as a means of replacing blue-collar workers and this has resulted in increased levels of productivity. The workers that remain often require higher levels of skill in order to manipulate and maintain the new technology. Among hotels and travel agencies the wide use of computer technology is relatively recent, with many smaller hotels yet to adopt computers. Among those companies that have invested in new technologies there seems to be two sets of impacts. The first affects front-line workers who use technology as a means of providing a higher quality of service. So far there has been little job loss but staff is required to possess computer skills. The other set of impacts affects back-office workers whose duties are more routine and require little client contact, therefore they can be more easily replaced by computer technology. Among those back-office workers that remain (eg. chambermaids, cooks) the level of skill required remains relatively unchanged. These findings show the complexity of the impacts that technology can have on tourism labour and reveals some of the limitations of applying post-Fordist theories to the study of tourism restructuring.

A further discrepancy is found when discussing levels of productivity. Technology has been effective in increasing levels of productivity among travel agencies as CRS allows them to process transactions much more quickly than in the past. However, productivity among hotels has not increased in relation to the amount of technological investment primarily because personal service remains an important part of a successful hotel business. As a result, theories of post-Fordism are not entirely applicable in understanding the technological impact on these tourism sectors because they do not take into account the great diversity of technological applications that are used, and the importance of humans in maintaining an efficient and productive service.

#### **7.1.4 Labour issues**

Numerical flexibility is the most widely used flexible labour strategy in both the hotel and travel agency sectors. Part-time workers are an integral element of both sectors due to fluctuations in demand that require varying the number of employees. Hotels also use many temporary workers, especially during the summer months, to handle the increased seasonality of demand. These numerically flexible jobs are often considered low-skilled and low paying because they are theorized to support the more important functions of the core employees (Guerrier and Lockwood 1990). Yet in these two sectors, temporary employees often have high level skills, and many part-time workers have firm-specific skills and are employed on a permanent basis. In fact, these jobs are often as well paid and respected as their full-time counterparts. While numerically flexible workers are a new labour strategy for manufacturing industries, they have been an important component of hotel and travel agency sectors for decades.

Functional flexibility is not as widespread in the hotel sector as numerical flexibility. Functional flexibility is fairly standard among smaller hotels where fewer people are employed, and therefore more tasks are handled by each of the workers. It is among the larger hotels that functional flexibility is rare because there is a tendency to departmentalize the staff which makes it difficult to cross train employees. Travel agents, on the other hand, are required to perform a multitude of tasks that make up most functions of a travel agency because most agencies operate with very few employees. Increases in the use of functionally flexible labour techniques have not been apparent in these tourism sectors, nor is it likely to grow in the near future.

Theories of post-Fordism are, therefore, largely inadequate when discussing issues related to employment change in the hotel and travel agency sectors. The practices on which these 'flexible' theories are based were first used in tourism because of its highly seasonal nature and its need for employees to always be available. While there is no doubt about the broad use of numerical flexibility, functional flexibility is less apparent, especially among large hotels that function with a high degree of departmentalization. Travel agencies and small hotels, on the other hand, have always used some form of functional flexibility, because such strategies are more useful in maintaining the smooth running of these companies. To simply argue that levels of labour flexibility are increasing as a means of lowering company costs is erroneous and disregards the historical use of these labour strategies, and their greater applicability to the job demands of some forms of tourism labour. Furthermore, one could even argue that manufacturing industries have followed the lead of services, and borrowed ideas of 'new' flexible labour strategies from service industries, like tourism.



Both the hotel and travel agency sectors are heavily dominated by women, especially among the lower-skilled, numerically 'flexible' positions, creating a "pink-collar ghetto". Very few women have been able to penetrate the upper management ranks of the hotel sector, leading one to believe that there is a "glass ceiling" preventing their promotion. In contrast, women working in the travel agency sector have been relatively successful at infiltrating upper management ranks of travel agency companies. Despite the high percentage of women working in these tourism sectors, they are often under-represented at the level of management, especially among hotels. Women are numerous among small hotel owners and managers, but their numbers diminish drastically as hotel size increases. Travel agencies seem to be more accepting of female managers perhaps because the sector rapidly expanded at a time when women were already firmly entrenched in the business, allowing women to enter into the first wave of management recruits. Hotels, on the other hand, have existed for centuries, creating a well-established 'boys club' that subtly discourages women from trying to enter into their ranks.

Theories of post-Fordism have paid little attention to issues of gender, yet some critics (McDowell 1991 and 1991b; Christopherson 1989) have pointed out that it is often women who are occupying many of the newly created, low-paying, numerically flexible jobs that have replaced the full-time, well-paid, male-dominated manufacturing jobs. As tourism has always used flexible labour strategies, it is not surprising that it is dominated by female employees.

The research also found, mostly among large hotel firms, a significant decrease in levels of middle management. The need to bring upper management closer to the customer and reduce labour costs, as well as the technological takeover of a number of middle management tasks, are some of the reasons that middle management has been reduced in recent years. It seems that these jobs are gone for good, and has resulted in changes in the functions and responsibilities of the remaining management personnel. A significant problem with theories of post-Fordism is their lack of attention to changes at the level of management. They are explicit about the displacement and changes in blue-collar work but neglect to address shifts in management. This is a general weakness in the overall theory, as these changes have taken place not only in tourism services but among primary and secondary industries as well. Thus, discussion of flexible labour strategies need to be broadened to incorporate changes at the level of management.

A further issue that has not been addressed by theories of post-Fordism is the use of consumer labour. Consumer labour is a labour strategy that is especially important among hotels who have reduced the workload of many staff members by substituting paid labour with the customers own labour (Wood 1992). Post-Fordist theories have not addressed

issues of self-servicing or consumer labour as they are not an important element of manufacturing production. This is more of a service-related characteristic as it relies on the consumer to help in the production of the service 'product'. As a result, issues relating to the use of consumer labour will need to be addressed when attempting to understand the restructuring of some services.

Hotels and travel agencies are characterized by a diversity of jobs with very different skills and functions. As such it is difficult to draw general conclusions based on post-Fordist theories, especially since many important labour issues have not been adequately addressed. Manufacturing is, in some ways, simpler as issues of productivity are relatively straightforward. Productivity among services, such as hotels and travel agencies, cannot be measured in the same way since the quality and degree of personal contact in the service provided can be an integral factor in the service output. Once again, the reality of the tourism labour situation is much more complex than the labour issues described by the manufacturing based post-Fordist theories. It would be dangerous to assume that post-Fordist theories can adequately explain any of the described issues as they relate to these tourism services. Major modification and awareness of local circumstances are needed if there is to be any possibility of using these theories as a framework for understanding tourism change.

## **7.2 The role of government**

The role of government in the restructured economic environment is an issue that is addressed by post-Fordist theories but it has not received as much theoretical scrutiny as other aspects of post-Fordist debates. As mentioned in previous chapters two similar areas of debate have emerged concerning the role of government. Both argue that national governments have withdrawn much of their support and protection of many industries (Tickell and Peck 1992). They differ in that one claims that private interests are left to fend for themselves in the 'new' political economy (Scott 1988), while the other expands on this and adds that local and regional governments are taking on many of the responsibilities previously performed by national governments (Hirst and Zeitlin 1991).

Successful tourist regions are often characterized by a cooperative local government that plays a significant role in the development of the tourism industry (OECD 1993; Mullins 1990). Rather than withdrawing their support in tourism development, local governments have become more interested in its well-being by increasing their involvement in promotion and strategic support. Poon (1990), in her analysis of Caribbean tourism and its shift towards a 'new' tourism environment, calls for greater government involvement in tourism promotion and development in order to increase the region's overall competitiveness. She

argues that the creation of a regional reservation system that taps into global CRS through the latest technologies can only be built with the guidance of government support and involvement. In the 'new' tourism industry, there will continue to be a major role for government in tourism development and, in fact, public involvement seems to be growing. For example, both the Montreal and Quebec governments are still increasing their investment in the Montreal tourism industry despite, or perhaps because of, a slowdown in tourism arrivals. They are actively involved with city hotels and attractions in designing and distributing promotional brochures and coupons to encourage visitors to come to Montreal, and they have participated in the development of a regional reservation system, Reservations Quebec (see below). They have also encouraged the development of many new attractions designed to boost the overall image of the city and, at the same time, makes the city attractive to new businesses. In fact, it seems that governments are much more likely to continue supporting an ailing tourism industry than a troubled manufacturing firm because their investment in local tourism infrastructure and promotion is also a way of stimulating and attracting other businesses to invest in the region (Ashworth and Tunbridge 1990).

The recent actions of local governments would support the latter post-Fordist argument that the intervention of local governments has increased in the new competitive environment. Complications arise when it is found that national governments are also still quite involved in the promotion and preservation aspects of the tourism industry. Through international marketing campaigns and parks or heritage conservation efforts, the federal government remains an integral player in the 'new' tourism environment. Consequently, more research is still needed to better comprehend the emerging post-Fordist mode of regulation, and what role each level of government has in a restructured tourism industry.

### ***7.2.1 Policy and planning***

Government participation in the competitive efforts of an urban tourism destination is essential in order to maintain a healthy tourism industry, and an attractive location for new investment interest and opportunities. In a changing economic environment, governments can with the help of the private sector build a more competitive urban tourism industry if they are aware of some of the emerging impacts of restructuring on local firms and labour. By creating policies that will assist those who will suffer the most in a highly competitive tourism environment, they can only help in strengthening the overall competitiveness of the urban tourism product. Impacts of tourism restructuring on urban economies that need to be addressed involve: problems of small locally-owned firms; local labour market issues; and the increased need for research and development.

#### *A - Problems for small, local firms*

Small and mid-sized, locally-owned firms face the most uncertain future due to the prevalence of networking and segmentation strategies that are successfully adopted by their larger competitors. Most of these firms are aware of the need to expand their marketing efforts but are unable to accumulate enough funds and expertise to even attempt a local joint venture. Some possible policy ideas that may help such firms include establishing network development workshops that provide a forum in which information and possible partnerships of local firms can be formed. These networks would allow those seeking such a competitive strategy to join with other firms expressing similar interests so that they may share resources and increase their market share without substantially increasing their costs. Furthermore, local governments should organize research relating to alliance formation, determine why such ventures form and what makes them successful. Such research would not only benefit tourism firms, but can be useful for other industries that are in need of new options to increase their competitiveness.

Another policy option would be the promotion of 'flexible' tour packages that highlight locally-owned hotels and attractions, or at least provide an option that includes such establishments. Currently, most 'flexible' packages primarily involve large hotels that can afford to integrate and promote themselves through global CRS. If the government can help provide a local reservation system offering similar tour packages that highlight the local charm and personality of smaller firms, these local enterprises would then be exposed to a much broader market than they would have been able to achieve on their own.

The problems of smaller locally-owned firms and their need to remain competitive are important to address because they are an essential component of a successful urban economy. Unfortunately, most locally owned, smaller tourism enterprises do not have the resources to market their product broadly. With the increased use of global CRS, this issue is becoming more serious because those firms that are under-represented in terms of ownership or participation in these systems face problems tapping into the global travel market. Furthermore, if these smaller, local firms (who usually make up the bulk of the urban tourism industry) cannot tap into these markets, then the region in which they are located will also suffer from a lack of global representation. As a result, there is a need to coordinate tourism information, and therefore collaboration must go beyond firms, and be extended to urban areas and regions (Poon 1990, 119).

To compete with large global distribution systems many regions have created destination databases (DDs) that provide reservation information through a 1-800 number. Most small and mid-sized, locally-owned companies cannot afford to join privately-run global CRS, and these systems provide an alternative for regions and their local

enterprises. Many provinces across Canada, and regions around the world, now operate such DD systems which are usually set up by, or in collaboration with, a local or regional government agency.

An example of such a system is Reservations Quebec (RQ - recently collapsed) which provided a central database for all Quebec tourism-related establishments, including the small and independent firms who would not otherwise have had the resources to be represented on a commercial global reservation system. RQ was created and operated by a group of private investors in collaboration with the government agency, Tourisme Quebec. Using a 1-800 number, interested parties would call and make reservations with one of hundreds of Quebec tourism-related companies. For a \$10 charge, RQ would make the booking, and in return give a 10% commission on the sale (Heinrich 1994a). Tourism-related establishments paid no subscribers' fees such as those required by commercial CRSs, but were instead charged only when a reservation was made.

But such systems also have many problems that are well demonstrated by the difficulties of RQ. Many larger hotels were not fully supportive of the system because it was partially subsidized by public funds and allowed smaller competitors to obtain wider market exposure that they would otherwise be unable to achieve. Furthermore, many travel agencies who specialized in incoming tourists felt threatened since the reservation system created a monopoly on all local reservations, and was the sole referral of the Quebec tourism information bureau. The travel agents association (ACTA) was able to delay the commencement of Reservations Quebec by eight months, causing it to lose an entire high season of operations and some important overseas clients. This is thought to be the leading cause of the early demise of the system in March of 1994, after only 15 months of operation.

While RQ no longer exists, the pressure to create a replacement system will grow. The tourism industry relies on the small, independent companies which need to be more widely represented through a central database that can be accessed by the general public. This is one of the only ways that small and mid-sized, independent travel companies can continue to compete with their larger internationally owned competitors. Such a system must be set up by, or in close collaboration with, regional or local governments to ensure a fair and even representation of tourism companies. As more people gain confidence and knowledge of computer technology, those areas who have built effective DDs will gain a competitive advantage in the highly technologically competitive tourism environment of the future.

### *B - Labour market issues*

The bulk of tourism jobs are characterized as low skilled and low paying. In contrast, many of the new jobs created by the increased use of new technologies require new technical skills of tourism personnel. The existence of only one or two adequate tourism training facilities in Montreal was often expressed, by those surveyed, as a significant problem for the future provision of trained employees. New employment created by a restructured tourism industry will likely be a combination of low-skilled, low-paying jobs which will make up the bulk of new employment, and some more highly skilled technologically oriented jobs that would require the development of some appropriate training facilities. Depending on the level of skill available among the segment of the population seeking employment, this bi-polar nature of future tourism jobs can be either beneficial or problematic for the economic development of the city. An important tourism labour issue is,

whether the sort of employment primarily generated encourages the maintenance of a pool of disadvantaged and exploited labour, distinguished by income, race or gender, or is a welcome employment opportunity, often the only realistic option for such groups, especially in the inner-city (Ashworth and Tunbridge 1990, 256).

Tourism will likely continue to provide jobs, but at a lower rate than in the past. In fact, in some countries, such as the UK, tourist-related employment has been growing at less than the national average rate, not only in declining coastal resorts, but also in most urban areas (Townsend 1991, 315; 1992). It could be argued that part of the slowdown in tourism employment growth stems from the ability of new technologies to effectively handle increases in tourism business, and therefore reduce the need for new employees.

Back-office functions that require little contact with consumers, and jobs that involve highly routine tasks that can be easily automated, will suffer the greatest impacts. In addition, new technical and social skills will be required of employees as they must be able to manipulate computers, be well informed about the product they represent, and be able to effectively sell a travel product. Advances in computer technology have also had a considerable impact on the daily operations of travel agencies. As a result, the travel agency sector faces potential elimination from the tourism system, replaced by home computers and interactive televisions. However, it seems that this outcome is unlikely as many travel agencies have perceived these changes and are adjusting their primary roles within the travel distribution system. The future travel agent will be less concerned with selling volume, and will focus instead on counselling and providing information. Some agents even discussed eventually charging a fee for their services.

It is certain that there will be some job loss during the restructuring of the travel agency sector as travel companies and destinations take advantage of new methods of technology to promote and sell their travel products. A government policy development that might lessen the impact of job loss would be to invest in retraining strategies for existing travel agents. Current travel agent training facilities concentrate mainly on developing CRS and computer skills, neglecting future travel agency needs. A travel agent will need to be well-informed about travel destinations and options available and how to quickly find out about them. Furthermore, with increased levels of competition, there will be an increased need for better marketing and selling skills. What is needed then is a training facility that focuses on consultative, communication and sales skills, not only technical skills, as this would better prepare travel agents for future changes.

Since tourism is such a labour intensive industry, it is important for local governments to understand how the dynamics of restructuring could impact on labour needs and requirements. Further research in this area would be beneficial as many questions remain which, if left unanswered, may have important consequences for local tourism development. For example, many areas have long relied on tourism as a source of job growth but does this continue to be a realistic expectation? Furthermore, the types of jobs created by tourism are not always those desired by the local population, therefore it is important to understand what types of jobs are generated, what skills these jobs require, and whether they are well-paying full-time jobs or mostly low-paying contract jobs and shift work.

#### *C - Research and development*

Probably one of the most important policy actions local government can take is to increase its knowledge of the local tourism industry and its performance by funding research that seeks to understand the dynamics of tourism restructuring and its impacts on the urban economy. Since tourism is a vast and diverse industry and this work could only relate the findings of the restructuring process taking place in two tourism sectors - hotels and travel agencies, there is a need to expand this knowledge to other sectors that are completely or even only partially dependent on tourism demand. For example, work on restructuring in museums or other attractions, restaurants, and airlines would provide a more complete understanding of the changes in the tourism industry, and also provide insight into the characteristics of change taking place within each individual sector.

An area of research that could be more fully explored is the diffusion of technology throughout the tourism production system. Despite its growing influence, there is little understanding of all the possible impacts of new technology on the tourism industry, and

its influence over regional and urban development. The following questions could form the basis for future research: How can technology increase the competitiveness of an urban area or tourism company? Does it really provide a competitive advantage for those who adopt it? Is it capable of increasing productivity?

Finally, government itself is integral to local economic development, and successful tourism development depends on its involvement. Any research aimed at understanding the role of government in the new competitive environment would be welcomed, and should answer at least some of the following questions: How involved is the government in promoting the region and its attractions? How successful are they in encouraging new tourism investment? How closely do they work or confer with local tourism companies, or do they mostly act on their own? And how much of a priority does tourism development in the overall economic planning of the region?

### **7.3 Conclusions**

Throughout the thesis I have stressed the dangers inherent in generalizing from small data bases, nevertheless with this important caveat in mind I now conclude by focusing, in a tentative fashion, on some of the broader themes that my findings have raised. I look at some of implications of the findings for the future role of services in regional/national economies. I then briefly return my attention to some of the theoretical issues raised by the research and point to how they may reveal some of the problems and prospects involved in developing of a services informed approach to understanding current economic change.

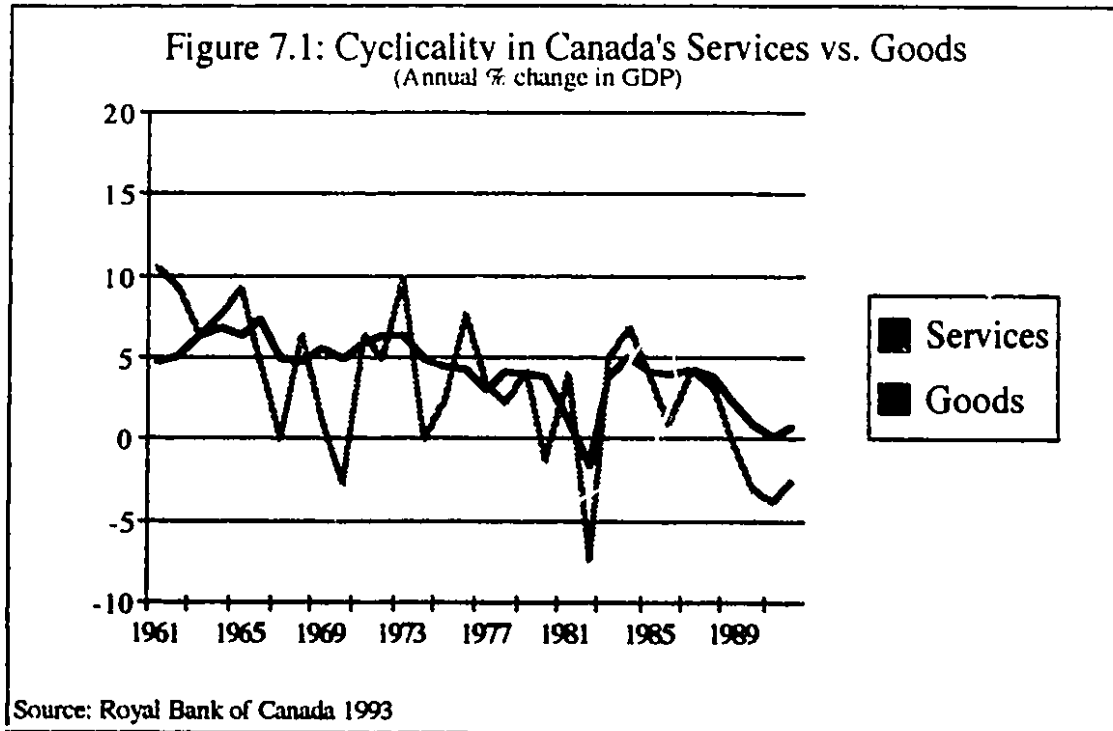
#### ***7.3.1 Some broader implications for services in economic development***

Both the hotel and travel agency sectors have experienced a downturn in recent years due mainly to the impact of recessionary pressures that greatly reduced tourism demand in Montreal. The previous recession of the early 1980s did not have as big an impact on local tourism performance (McDougall 1991 and interviews). The recession of the 1990s changed all this when tourism companies had to deal directly with an very unstable economic environment that kept tourists and businesses close to home. Many hotels and travel agencies closed and many others tried discounting their prices to entice consumers, but they soon realized that they needed to find alternative ways to compete. This trend is not confined to these tourism sectors since similar tendencies are found among services in general.

Historically, Canadian services have been relatively stable when compared to goods producing industries but they have become much more sensitive to cyclical fluctuations during the last two recessions (Norcliffe 1994; Royal Bank 1993; Wood 1991b) (Figure



7.1). While this initially appears to be a service-related problem, this volatility has wider impacts on the amount of output and employment lost during recessions and on an economy's ability to recover from a downturn.



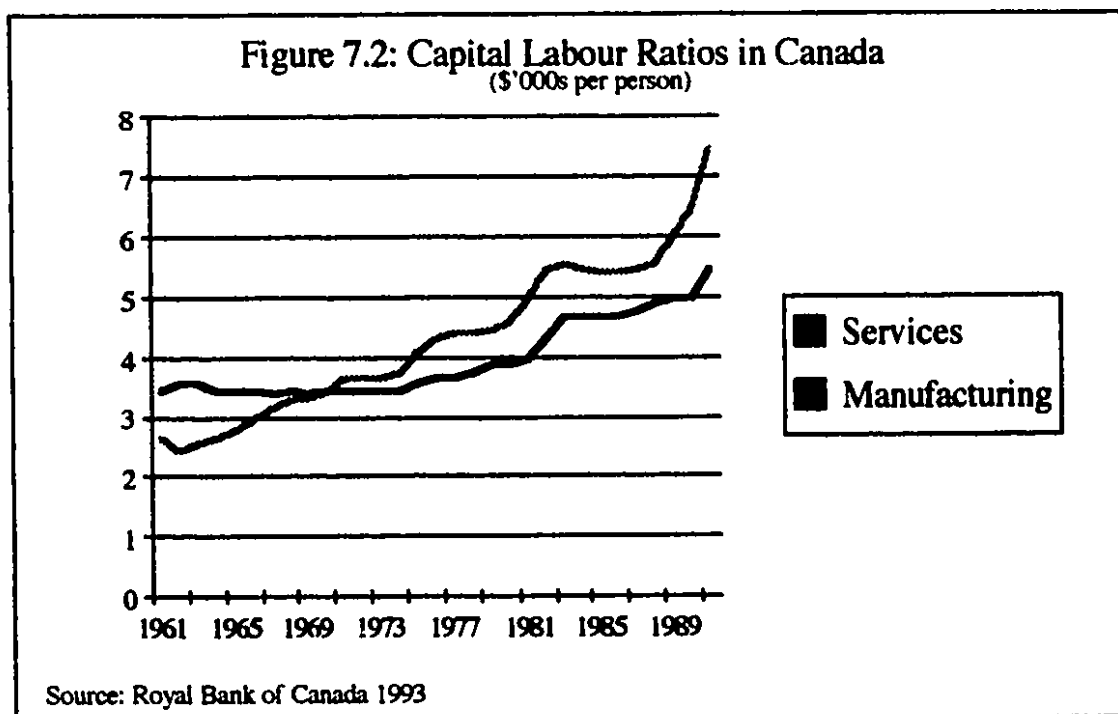
Increased levels of competition among hotels and travel agencies coupled with airline deregulation and technological advances, have created much greater interdependencies among tourism sectors, as well as with many non-tourism sectors whose products and expertise have become essential to the continued growth of the tourism industry. For example, the US airline industry has radically changed since deregulation started in the 1970s. There has been the creation of new airlines and bankruptcies of many others, but the most impressive result is the tremendous growth and concentration of airlines that are linked together through various affiliation arrangements. This has had impacts on interdependent sectors such as travel agencies who have had to adjust their business to the many airline changes and intense price discounting by implementing alliance and segmentation strategies.

The increased cyclical behaviour of many services seems mainly to stem from issues relating to the increased competitiveness and interdependence of the new global economy. This competition has been intensified by deregulation in numerous industries and by advances in modern technology (Royal Bank 1993; Roach 1991; Quinn and Gagnon

1986). Deregulation has challenged many service industries by allowing new competition to enter their markets and squeeze margins (Roach 1991).

As alluded to above, advances in modern technology are influencing the development of many services. Travel agencies are becoming more homogeneous as they all are using similar technological resources to extract information. This, in turn, allows little differentiation among travel agencies because they all sell the same products at similar prices. By adapting CRS technologies, travel agencies are actually reducing their ability to be flexible in terms of product supply and internal operations. The use of CRS technology requires a monthly fee but often these fees are reduced or even waived once a required number of reservations have been sold through the system. During a period when demand is low travel agencies will not make as many reservations and therefore they will need to make a monthly payment. As a result, their costs increase while their revenues have dropped, increasing their vulnerability to economic fluctuations. Prior to CRS use, staff could be laid off or their hours adjusted to offset these fluctuations in demand, thereby reducing their costs during a low revenue period.

Consequently, the increased sensitivity of services, including tourism, to economic fluctuations appears to be related to increases in their capital/labour ratio and resultant increases in the proportion of fixed costs (Begg 1993; Royal Bank 1993; Roach 1991) (Figure 7.2). In current service industries, a much higher proportion of total costs are accounted for by fixed costs, and this ends up reducing the flexibility of firms. This is occurring at a time when manufacturing firms are realizing increased levels of flexibility.



Finally, both these tourism sectors are still growing, but they are doing so at a much slower rate than in the past. This relates to arguments of service sector analysts who predict that services will continue to grow in importance developed economies but at a slower rate than in the past, and will likely be spread unevenly among service sectors (Begg 1993; Royal Bank 1993; Wood 1991b). Services will remain a primary player in the battle for competitive advantage and economic growth due to the growing complexity of the global economy and the importance of information and knowledge as competitive tools. But it is unlikely that there will be as high a demand for many service workers and therefore, service employment growth may be less pronounced over the next decade.

### **7.3.2 *Theoretical conclusions***

Most economic geographers agree that services are experiencing a series of changes, many of which appear to be similar to those experienced by manufacturing firms. The problem is that some researchers still feel that services are following the same "script written by manufacturing" (Roach 1991, 90). They view all services as using similar cost-cutting procedures: slashing payrolls, closing offices and consolidating operations (Roach 1991, 90). Unfortunately, this simple analogy does not take into account the great diversity found among services, nor the many defining differences between manufacturing and service industries.

By downplaying these important differences, researchers have often neglected some fundamental issues that can influence the restructuring strategies used by different services. For example, some service activities may choose to rely more heavily on technology as a source of competitive advantage, while others prefer to focus on enhancing their level of personal service, in fact these two themes may even be complimentary. At the same time services are intangible and this basic defining feature causes many problems when using manufacturing based criteria to analyse service activities. For example, when measuring levels of productivity services are often found to have witnessed much lower growth than manufacturing firms, yet this neglects the role that non-quantifiable 'people-related' aspects of providing service play in corporate performance. These are just some of the problems that can result if the specificity of service activities is not built into economic analysis. This research only begins to address some of these important issues as they relate to hotels and travel agencies, and therefore it is still premature to say that we fully comprehend what is going on throughout the tourism industry, let alone the service sector.

The use of a service-informed approach - utilising the framework provided by post-Fordist theories - is a start to understanding some of these changes. Post-Fordist approaches are useful because they offer a more holistic understanding of current change

than any previous restructuring theories, and they attempt to incorporate sectoral and firm-level restructuring within the context of economic change. However this thesis has shown that post-Fordist theories are not able to deal entirely effectively with the complex range of factors influencing many of the changes taking place in tourism firms. For example, the continued strength of mass forms of tourism and increased consumer interest in value are both features that are more consistent with 'old' forms of tourism. Yet, at the same time, there has been a definite growth in 'new' types of tourism demand - with consumers increasingly demanding higher quality service and a wider variety of travel products.

The responses of hotels and travel agencies to these pressures have also been shown to be more complicated than the theories might suggest. Small and large firms alike are adapting various networking and segmentation strategies but in different ways and for different reasons. Technology is being increasingly used in both hotels and travel agencies but in a wide variety of ways. The role of technology in hotels and travel agencies is further complicated by the fact that it can either replace or complement employees. Finally, many issues relating to hotel and travel agency employment are inconsistent with post-Fordist theories of labour use. For example, the importance of personal service for both hotels and travel agencies, and these companies' sustained reliance on flexible labour strategies, combined with the diversity of skills and functions required of these jobs, makes it difficult to generalize what the impacts of restructuring on hotel and travel agency labour.

In order for post-Fordist theories to better represent service activities, like hotels and travel agencies, they also need to be expanded to include such labour issues as the role of gender, changes at the level of management, and the use of consumer labour. In addition, issues of productivity measurement will need to be adjusted when looking at services like tourism. Furthermore, there needs to be an increased focus on the emergence of industry hollowing. These additions and adjustments to post-Fordist theories would help to make such frameworks more appropriate for services informed analysis.

I have shown that by extending our focus beyond those industrial sectors that have traditionally captured the attention of economic geographers we can add a number of potentially important strands to recent debates over the pervasiveness and nature of the current processes of restructuring that are influencing advanced economies. The findings reveal the benefits of developing a broader and more detailed empirical understanding of processes of economic change in a range of service sectors. It is only when more evidence of this type has been gathered that we can begin to describe with any certainty the dominant types of capitalist organisation that are currently emerging in Canada and elsewhere. The search for a 'service informed' approach to understanding current economic change is only just beginning.

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# **APPENDICES**

## **APPENDIX A: Base Questions for Hotels**

### **A) General Questions**

- How long have you worked/owned this hotel?
- How long have you worked in the tourism/hotel industry?
- How long has this hotel been open/under current ownership?
- How many rooms? Average room rate?
- What has been the average occupancy rate for this hotel? What has it been recently?
- What type of clientele does the hotel tend to attract? Where are they mostly from? (if possible get a breakdown) What is the main purpose of visit? How do your clients find out about this hotel?
- What is the percentage of business and pleasure clients? What percentage are walk-ins or reservations?
- How do you market the hotel (ie. as a budget, family, resort, luxury, etc...)?
- Who owns this hotel? Is there a group of investors or is it entirely owned by the parent company?
- How large is this chain within Canada? Internationally? What is the regional breakdown of this chain within Canada (are they focused on the east coast, cities, certain areas only, etc...)? What role does Canada play within the international corporate strategy of the parent company?

### **B) Competitive Pressures**

- What, do you feel, are the major pressures being felt by the hotel industry (or your hotel in particular)? How do you respond to these pressures?
- Has the hotel been hit by recessionary pressures? If so how? What has hotel done to respond to this pressure? Are there fewer clients from certain areas, are there more?
- There has been government legislation that directly affects the hotel industry, such as the GST. How does your business respond? Do you blame GST for fewer US tourists? Do you let your US clients know about the refund?
- Have you found the local competition to be greater now than in past years? Who or what type of establishment are your greatest competitors? What are you doing to combat the competition?
- Have you found consumers tastes and demands have changed over the last decade? In what way? If so, how have you responded to this? Do you feel that these changes will remain or do you sense another change in the future?
- Has the average age of your guests changed? Do you find you have more older (seniors) clients than ever before and are you doing anything to attract this growing and lucrative part of the population? If no change noted then how do you think that the aging population will effect your company? Do you see seniors becoming a more important part of your clientele?
- Has the average length of stay changed? Are consumers travelling at different times of the year? What is the average length of stay and what was it 5 years ago?
- Do you attract more couples and singles? Do you think that the growing number of single people and single parent families will have an impact on your clientele?
- Do you find there are more women travelling alone and on business? Have you done anything to attract them or accommodate them?
- Have you found any difference in the amount of US tourists over the last few years? If fewer, why? How are you dealing with this decrease?
- Have you found there to be an increase in overseas tourists? If so from where? Do you feel that this market will continue to grow?
- Has the consumers growing concern for the environment had any impact on your establishment? If so, how? If not, why not? Do you think displaying concern is good for the reputation of the hotel?

- Has competition within the industry prompted you to initiate certain environmental action like reduce, reuse, recycle, or having environmental audits to see where they could perhaps conserve energy?
- If hotel has initiated certain environmentally driven ideas do they market themselves as such (the green hotel etc...)?

### **C) Responses**

#### **i) Organisational structure**

- At one time hotels were fairly broad-based in that they all provided essentially the same services to their clients. Now there are all these different types of hotels (all-suite, microtels) to attract various market segments, and therefore it seems that the need to find a certain market niche has become very important. Do you agree, and if so, what niche does your hotel fill? If do not agree, why not?
- Questions for independent hotels:
  - Has the growing amounts of large chain hotels had a major impact on your business? If so how and what are you doing to respond to it? Are you attempting to fill a niche not covered by the large chains and if so what do you provide that makes your place unique to clients?
  - Do you feel there is a prosperous future for independent hotels in the highly competitive hotel industry found in large urban centres?
- Question for chain hotels:
  - Are independent hotels any kind of competition or threat to your business, or do you feel that they will soon be bought out by larger chains?
- Question for niche hotel (such as an all-suite):
  - Has this format been successful? What is the future for these niche market establishments? Do you see them gaining in popularity?
- Question if hotel has a restaurant:
  - Have any recent changes been made to the restaurant (structure, atmosphere, menu), if so what were they and why did you decide to pursue these changes? Is the restaurant seen as an important part of the hotel?

#### **ii) Technology**

- How important is computer technology to your hotel? How extensive and sophisticated is the system in use? Are both the back and front offices computerized and if so, are they integrated? What is the name of the software used in the front office?
- Are you part of a CRS system, if so which one? Do you yourselves possess a CRS system? If not part of one how are non-local reservations made and marketed?
- What other types of technology does hotel possess? Have you set up teleconferencing rooms? If so, are they successful, how often are they used? Have you set up technology that makes the clients life easier?
- Do you feel that technology is important in the running of the hotel? What about in the future? Do you see any trends emerging in the type of technology being used?
- If hotel not yet computerized or only or using very little new technology, do they plan on expanding the technology? If so, by doing what? Do you feel there is a future for those hotels that do not take on some sort of computer technology?
- What has been the major advantage of the new technology? Why? Any disadvantages and why? If so, what are you doing about it?
- Has taking on these new technologies reduced the need for certain positions to be filled? Has technology had an effect on employment structure, ie. were any new jobs created, while others eliminated? Are/were there more employees with the introduction of technology? Fewer? Have certain skill requirements changed?

### **iii) Labour use**

- How many employees does this hotel support?
- How many part-time? Full-time?
- How many are women and in what capacity are they employed?
- Has there been any new hiring in the last year? If yes in what positions? How does this compare with previous years?
- From where do you hire people?
- Do you find there is a shortage of qualified labour? Do you have a high employee turnover rate? Or has much of your staff been with you for more than 1 year?
- Do you provide any kind of employee incentive? Are employees involved in any part of the decision making process? What makes working for your hotel better than working for another hotel?
- Do you have any kind of formal training program? If not, then how are employees trained?
- Do you feel there is a lack of good educational programs for hotel students? Is the training received by students in Montreal's two main hotel schools adequate? Do you feel that this is an industry that interests many young people today as a career? If not, why not, and how could this be changed?
- How do you deal with seasonal fluctuations? What time of year do you receive most of your business? How do you get through low periods? Do you rely temporary labour? If so, are they usually the same people or do you rehire new every year?
- What is the average wage rate of a new employee at the front desk? In housekeeping or maintenance? Do they get periodic raises, or benefits?
- How do workers and managers interact? Is there a hierarchy of contact, or does the general manager interact directly with various employees? How do relations between managers and employees work?
- Is the hotel unionized and if so with what union and what percentage are a part of the union? Are relations between the union and management good? If not why not?
- Do you make use of subcontractors? If so, in what capacity? Has this use of sub-contracting changed in recent years? If so, why was this done? What are the costs and benefits of sub-contracting?
- Often unions do not allow sub-contracting, if there were not such a restriction against its use would you be using it more? Why?

### **iv) Marketing**

- Do you ally yourselves with any local attractions, car rental companies, airlines as a means of promoting yourselves along with these other organizations?
- Do you provide any kind of incentives to encourage travellers to come and stay at your hotel? (Discounts, frequent stay programs, added facilities and services etc...) Have you found them to be successful?
- How do you attract clients? How do you advertise?

### **D) Concluding Questions**

- Do you think the government has done enough (invests enough) into the tourism industry in terms of marketing and planning? What do you think they could do to improve the industry?
- Do you feel there is a need for greater government and hotel sector cooperation?
- Do you feel that the government recognizes the importance of tourism to the national, provincial, municipal economies? What level of government should be involved in Montreal's hotel industry and what role should each play?
- What do you see in the future for Montreal's hotel industry? How can things be improved? Will there be greater competition? less? What about the future of your establishment? How will it be doing 10 years from now and what type of client do you see yourselves catering to?



## **APPENDIX B: Base Questions for Travel Agencies**

### **A) General Questions**

- How long have you worked/owned this agency?
- How long have you worked in the tourist industry? In what capacity?
- How long has this agency been under the current ownership? How long has this agency been open? Is it franchised, part of a chain or privately owned?
- If franchised or part of large chain
  - Who is the parent company? Who owns the name? Local or foreign ownership?
  - How large is this chain within Canada? Internationally?
  - What is the regional breakdown within Canada?
- What is the main focus of the firm, ie. what type of travel do you sell the most?
- What percentage of sales/clients are business or pleasure travellers?
- How do you attract clients (location, walk-ins, advertising, etc...)? Are they mostly regular clients or are there many newcomers?
- To what area do you sell the most package trips? Business trips? Individual travel? Does it depend on the time of year? When are you busiest for the various types of travel?

### **B) Competitive Pressures**

- What do you feel are the major pressures being felt by the travel agency industry (or your agency in particular)? How are you responding to these pressures?
- Have you found the local competition to be greater now than in past years? Who are your greatest competitors? What are you doing to combat the competition? Is the competition among the agencies controlled by operators and airlines? Are there methods that an individual agency can use to attract clients?
- Has the agency been hit by recessionary pressures? If so, in what way? What has the agency done to respond? Has it affected both business and pleasure travel?
- There has been government (provincial and federal) legislation that has been introduced over the last couple of years that has directly affected the travel retail sector, such as GST and PST, and the introduction of Reservations Quebec (CRS). Have they had or will they have a significant impact on your business? If so, how do you respond?
- Have you found that your consumers tastes and demands have changed over the last decade? In what way? Are they more picky, more demanding of quality and service? Asking for more specialized or exotic choices? If so, how have you responded to this? Do you feel that these changes will remain?
- Has the average age of your clients changed? Do you find you have more older (seniors) clients than ever before and are you doing anything to attract this growing and lucrative part of the population? If no change noted then how do you think that the aging population will effect your company?
- Has the average amount of travel time changed? Has it gotten shorter or longer are clients travelling at different times of the year than in previous years? What is the average length of a trip and what was it 5 years ago? Is this different for pleasure and business? If so, what are the differences?
- Do you attract more couples and singles as clients? Do you think that the growing number of single people and single parent families will have an impact on your clientele?
- Have you found that there has been a shift towards different destinations recently? What are the popular destinations and who goes there?
- Has the consumers growing concern for the environment had any impact on your business? If so, how? Do you think that environmentally driven travel will continue to grow or remain as a niche form of specialized travel?
- Do you find that there has been a reduction in demand for all inclusive mass tourism, and an increase in more flexible types of travel where people can do what they want?

## **C) Responses**

### **i) Organisational structure**

- At one time travel agencies were fairly broad-based in that they all provided essentially the same services to their clients. Now with the opening of all these different types of travel agencies (specializing in different areas, types of travel, age groups, etc...) to attract various market segments, the need to find a certain market niche has become very important. Do you agree, and if so, what niche does your travel agency fill? If do not agree, why not?
- If an independent travel agency:
  - Has the growing amounts of large chain affiliated agencies had an impact on your business? If so how and what are you doing to respond to it? Are you attempting to fill a niche not covered by the large chains and if so what do you provide that makes your agency unique to clients?
  - Have any larger chain agencies offered to buy you out or franchise the agency? Do you feel there is a prosperous future for independent travel agencies in the highly technological travel retail industry ? If so, in what capacity?
- If chain agency:
  - Are independent travel agencies any kind of competition or threat to your business, or do you feel that they will soon be bought out by larger chains?
- If niche travel agency :
  - Has this format been successful? What is the future for these niche market establishments? Do you see them gaining in popularity? and if so at the expense of whom?
- Have you noted an increase in networking among agencies and the formation of more strategic alliances? Does this pose a threat to the independent travel agent? What are the advantages to being part of such a network and what are the advantages to remaining independent?
- Many companies have now set up their own travel departments who only arrange trips and flights for the employees and eliminate the need for a travel agency. Have you felt this type of pressure and if so how would you respond?

### **ii) Technology**

- How important is computer technology to your travel agency? How extensive and sophisticated is the system in use?
- Do you use a CRS system, if so which one? If do not have one how are reservations made? How important is the CRS to your business? How often is it used? Do you believe that an agency can survive without one?
- Have you set up technology that makes the clients life easier? Video brochures, direct reservations, etc...
- Do you feel that technology is important in this business? What about in the future? Do you see any trends emerging in the type of technology being used?
- If the travel agency is not yet automated or has only limited technology, do they plan on expanding the technology? If so, by doing what? Do you feel there is a future for those travel agencies that do not take on some sort of technology (CRS)?
- Has taking on these new technologies reduced the need for certain positions to be filled? Were any new jobs created, while others eliminated? Are/were there more employees with the introduction of technology? Fewer? Have certain skill requirements changed?
- This is a sector of the tourism industry that has been greatly affected by the advances in computer technology to the point where there has been talk about the eventual elimination of this sector (or a massive reduction) due to such advances as direct access by clients to CRS via home and business computers, and television. What do you think? Is it possible? Why or why not?

### **iii) Labour use**

- How many employees does this travel agency support?
- How many part-time? Full-time?
- How many are women and in what capacity are they employed?
- Has there been any new hiring in the last year? If so, in what positions?
- From where do you hire people? How do most people find you?
- Do you find there is a shortage of qualified labour? Do you have a high employee turnover rate? Or has much of your staff been with you for more than 1 year?
- Do you provide any kind of employee incentive to keep them on (bonuses, commissions)? Are employees involved in any part of the decision making process? What makes working for your travel agency better than working for another travel agency?
- Do you have any kind of formal training program set up? If not, then how are new employees trained? If so how much training is involved, how long does it take and does this differ for various occupations?
- Do you feel there is a lack of good educational programs for travel agency students? Is the training received by students in Montreal's schools adequate? Do you feel that this is an industry that interests many young people today as a career? If not, why not, and how could this be changed?

### **iv) Marketing**

- Do you provide any kind of incentives to encourage people to use your agency? Have you found them to be successful?
- How do you attract clients? Do you advertise? Where? Do you find it to be successful? - Are you a member of ACTA-Quebec or any other association that works in the best interest of travel agents? What do they do? Are they effective?

### **D) Concluding Questions**

- What is the role of the government for travel agencies? What types of legislation would affect your business? Do their policies concerning tourism affect you?
- What do you think about the idea of Reservations Quebec? How would this impact on your business? Do you think it should be implemented? Why or why not?
- What do you think they could do to improve things in this city, province, country for this sector? What level should be responsible?
- What do you see for the future of the travel retail sector in Montreal? How can things improve? Will the competition get worse before it gets better, or do you feel that this is an expanding industry?