



Міжнародна економіка

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**COOPERATION ON THE WORLD
TOURIST MARKET
UNDER GLOBALIZATION**

Abstract

The article is devoted to investigation of the different approaches to treatment of the «globalization» concept in tourism: *first*, globalization as a synonym for «internationalization» and *second*, globalization as one of four foreign expansion strategies of tourist enterprises. The authors analyze the processes of cooperation on the world tourist market in the hotel sphere, sphere of passenger air transfers and sphere of tourist services sales. The authors establish basic tendencies in the functioning of cooperative societies, strategic alliances and franchising systems under conditions of globalization. The authors conclude that already today high on the agenda come the new forms of cooperation, such as virtual networks of cooperative societies: from computer reservation systems – to virtual tourist bureaus and tour operators. However, systems of tourist services demand new forms of international cooperation – the cooperation between tourist ministries and tourist businesses and unions.

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Key words:

Airlines, cooperation, cooperative society, franchising system, globalization, hotel concern, internationalization, strategic alliance, tourism, tourist agency.

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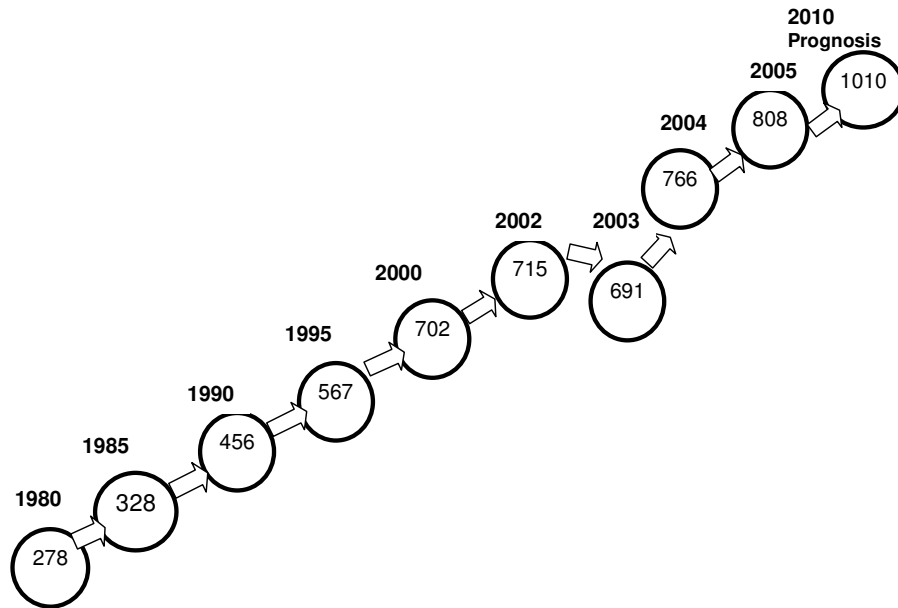
**1. Development
of International Tourism**

During the last decades tourism became one of major economic factors in the world, whereas its servicing turned into an organized industry in many countries. Tourism today is an integral component of the world economic potential; it positively contributes to socio-economic life. Ever larger numbers of population get involved in the tourist movement, making it a mass phenomenon. After three years of stagnation and decrease caused by terrorist attacks, SARS and avian flue, and war in Iraq, international tourism gained positive dynamics in 2004–2005. According to statistics of the World Tourist Organization, international tourist arrivals in 2004 reached a record number – 766 ml people, i.e. increased by 10% compared with 2003 (Figure 1). Such a high increase was earlier observed only in the early 1980s. In 2005, international tourist arrivals increased by 5.5%, reaching 808 ml people [1].

Tourism in fact became the industry of the XXIst century. Tourist economy generates 11% of the world's gross product, while tourist industry generates 4.2% of it, appearing among the most powerful branches of the world economy [2:24]. In 2004 (regarded as one of the most successful years for tourism) revenues from international tourism grew to \$622bn (€500bn), that is by 8.6% more than in 2003 [3]. In 2005 they made \$682bn, thus growing by 9.6% compared to previous year (Figure 2). However, the recent soaring increase of revenues is explained not only by the roused tourist industry: this process was largely influenced by the fall of \$US/€ exchange rate, depression of both USD and EURO in comparison to other world currencies, and inflation. However, even if we eliminate the impact of the afore-mentioned factors, we can still observe the record growth of international tourism revenues by 10.3% in 2004 and by 3.4% in 2005.

Figure 1.

Growth of Demand for International Tourist Trips in the World, ml people



Note: a tourist travelling abroad is defined as a person who realized at least one travel abroad during a year for at least 5 days.

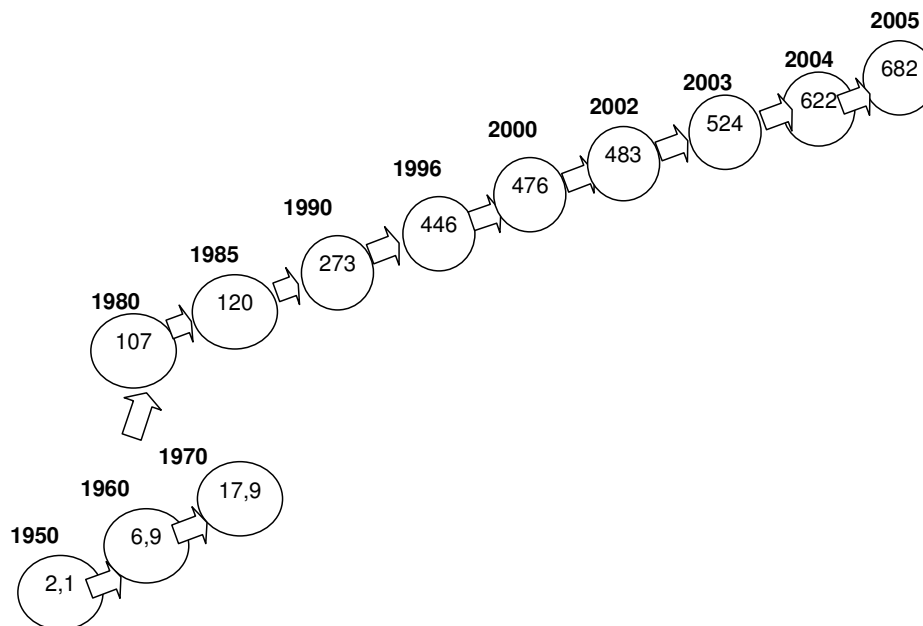
Source: data of the World Tourist Organization (WTO); authors' ordering.

2. Globalization and Internationalization in Tourism

Changes in the tourist industry were largely preconditioned by the processes of internationalization and globalization. In this context, it is necessary to clearly define the contents of «globalization» concept. Globalization in tourism can be treated as a synonym for «internationalization». Thus, globalization, along with tendencies of internationalization, also encompasses tendencies of multinationalization, trans-nationalization, export, etc. [4:2], i.e. obliteration of borders and barriers for travel in the whole world, operation of tourist enterprises without tie-in to a certain country, and as a result, appearance of the market for travel with global companies and global consumers [5:49].

Figure 2.

Growth of International Tourism Revenues, \$ bn



Source: data of the World Tourist Organization (WTO); authors' ordering.

Besides, globalization is one of the four strategies of foreign expansion of tourist enterprises, i.e. only a partial case of internationalization [4: 2]. This classification is based on such attributes as homogenization (orientation at common features of foreign markets) and heterogenization (orientation at differences of various foreign markets). Depending on the levels of hetero- and homogenization, we can single out the following expansion strategies:

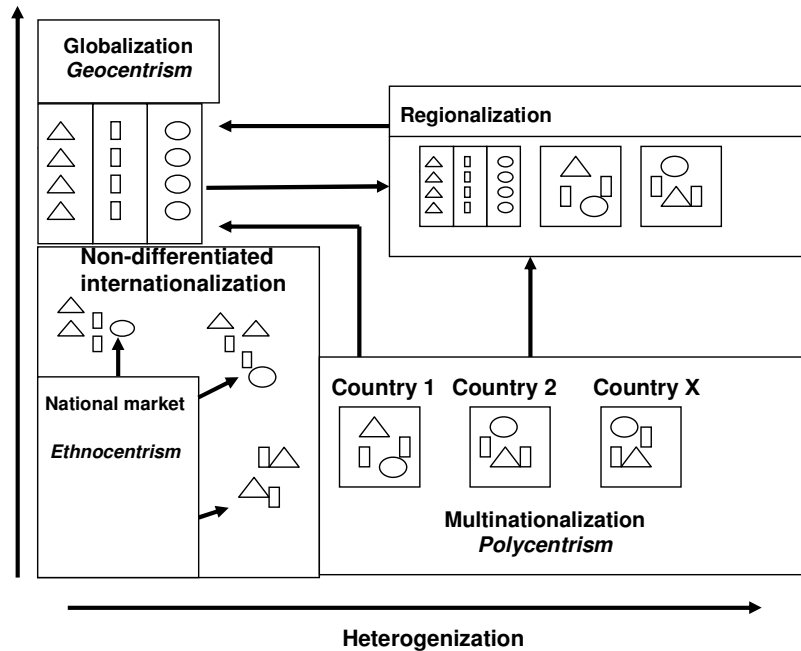
- 1) strategy of non-differentiated internationalization or ethnocentrism;
- 2) multinational strategy or polycentrism;
- 3) strategy of globalization or geocentrism;
- 4) transnational strategy or regiocentrism [5: 62].

These strategies can be schematically represented within a system of coordinates, with heterogenization and homogenization as its axes (Figure 3).

Figure 3.

Internationalization Strategies

Homogenization



Source: [5:61].

The strategy of globalization or geocentrism means that the company's activity at the foreign markets is based not on the differences of these markets, but on their common features. As a result, homogenized, integrated structures and highly-standardized products are created.

A typical example of geocentrism in tourism are airlines, networks of rest clubs, hotel networks, and information systems for tourist services distribution (Amadeus, Sabre, Galileo, Worldspan) that act similarly on all markets all over the world. Since tourists are often viewed as a homogeneous group by the tourist business, there is high risk that they will gradually turn into global tourists with common needs and motives with no individual features. However, the real globalization has only started its way in tourism. Otherwise, the whole world would have been changed into a homogeneous world-travelling market. This would be an exact antithesis to differentiated, authentic trips to Thailand, India, etc. This would have been the emergence of the «Global Holiday Village», with «homo

touristicus globalis» travelling with global tastes and consuming standardized products of big transnational tourist concerns.

Today, international tourism is based on the national peculiarities of mentality, culture, and regional attractions. As such, globalization (in its fullest meaning) has not yet become a massive phenomenon in tourism. In this article, the concept of globalization is further on treated as a synonym for internationalization.

3. Types of Cooperation in Tourism

For tourism peculiar is the fact that tourist enterprises do – in one way or another – operate «internationally», since a) they have to organize the stay of tourists in other countries (outbound tourism), and b) they have to organize the stay of foreign tourists at the place of company's disposition (inbound tourism) [5: 49].

However, for a tour operator, the cooperation with such foreign enterprises as hotels, airlines, tourist reception agencies does not yet mean the entry into the foreign market. The real internationalization/globalization in tourism demands participation in capital of foreign enterprises or establishment of cooperation with these enterprises. That is why it is especially important to investigate the cooperation processes on the world tourist market and to establish major tendencies in the functioning of cooperative societies, strategic alliances and franchising systems under conditions of globalization.

Cooperation in tourism should be considered not only through the lens of internationalization, but also as a case of foreign growth, integration, i.e. uniting with others. Integration does not always mean having interest in business or capital consolidation. It takes on two forms:

- 1) concentration (capital contributions, mergers, buyouts);
- 2) cooperation (cooperative societies, franchising systems, strategic alliances).

Cooperation provides that the participating enterprises retain their legal independence and work together in order to join forces and improve the effectiveness of their activity. Today, cooperative societies, strategic alliances and franchising are widespread in tourism.

3.1. Cooperative Society as a Type of Cooperation in Tourism

Cooperative society as a type of cooperation – is voluntary collaboration between legally independent enterprises with the aim of joint realization of tasks during a relatively long period of time [6: 8; 7: 512]. Cooperation in the cooperative society extends not over all, but over separate functions in the activity of participating enterprises. It should be noted that the members of the cooperative society also retain economic independence, however, only in those functional branches of their activity where cooperation is not implemented.

Cooperation in the cooperative society can be implemented in the following spheres:

- 1) **purchasing** (tour agencies cooperate in buying products of tour operators and airlines);
- 2) **management**, in particular planning, organizing, motivating, controlling, and regulating (centralization of financial management, business accounting, employee training, etc.);
- 3) **production** (cooperatives of tour operators in the sphere of tourist product formation);
- 4) **marketing** (joint attraction of professionals to elaboration of marketing concepts, advertising campaign, etc.);
- 5) **sales**, with the aim of expanding the sales network, decreasing sales expenses (sales cooperation of hotels);
- 6) **financing** (mediation in receiving credits, preferential bank servicing, etc.).

Cooperative societies divide into vertical, horizontal and diagonal.

Vertical cooperative society in tourism stipulates for cooperation among enterprises within a single value chain (tourist product), e.g. cooperative societies between tour operator and tourist agency, tour operator and transport enterprise, or tourist region and hotel.

Horizontal cooperative society presumes cooperation among competing enterprises of the same type and at the same level of value chain. The competitors offer similar or identical products/services, but operate on different geographical markets. Examples of such cooperative societies are cooperatives of tour operators for product range supplementation, cooperatives of airlines, cooperatives of advertising agencies, sales and market cooperative societies of hotels, and procurement cooperatives of tourist agencies.

Diagonal cooperative society unites enterprises of different branches in a single functional sphere (cooperative society in advertising activity of cultural and tourist enterprises).

Creation/expansion of cooperative societies plays a significant role in tourism, in particular in realizing marketing strategies and procurement. These cooperatives today have mostly complicated structures.

The market of tourist agencies in Europe shows intensified processes of cooperation during the last years. Thus, in 2004 in Germany 59% of all tourist agencies belonged to classical and franchising networks, 37% – to cooperative societies, and only 4% of tourist agencies functioned as independent units without signs of cooperation [8: 4–5]. To powerful cooperative societies on the market of tourist agencies in Germany nowadays belong *AER*, *Alpha Reisebüropartner*, *Best-RMG*, *Deutscher Reising*, *Prima Urlaub*, *Pro Tours/RCE*, *RTK*, *Schmetterling*, *Tour Contact*, *TSS*, *TUI Travel Star*. On the whole, 9339 tourist agencies belonged to cooperative societies at the end of 2004. During this very year, 1300 tourist joined cooperative societies [9]. In 2005, the number of tourist agencies that worked under protection of cooperative societies increased in Germany by 7.8%, that caused an increase in the amount of sales realized by cooperative societies in total by 6.8% [10]. Cooperative societies give tourist agencies an opportunity to join efforts in the face of new market challenges: airlines' transition to 0%-commissions for tourist agencies on sales of airplane tickets and net prices; pressure from tour operators in the form of more economical commission schemes and active development of direct selling through the Internet; enhanced competition on the side of Internet-portals, etc. Major directions of cooperation between tourist agencies concern such spheres as purchases and sales, in particular through the Internet.

Demonstrative are the processes of uniting tourist enterprises into cooperative societies in the context of internationalization/globalization. Here, an appropriate example would be the cooperative society of the *Leading Hotels of the World* in the sphere of marketing. The cooperative society includes 442 hotels de luxe in 80 countries. In 2004, revenues from sales of hotel placements in the cooperative society constituted \$450mn. The cooperative heads the network of 24 distribution agencies in the whole world. Members of the cooperative society join their efforts in marketing and sales: for example, they all sell their services under the single Leading Hotels (LH) code in global computer systems of distribution. The cooperative society makes strong requirements of the member enterprises. Twice a year the hotels pass quality control according to 1500 parameters. In the nearest plans of the cooperative society is to enter the markets of China, India, United Arab Emirates, and Eastern Europe [11].

Networks and hotel cooperative societies play nowadays a very important role in the world in the sphere of services; herewith, the borders between them gradually blur. Not only separate hotels, but the whole networks join cooperative societies. In their turn, cooperative societies acquire features of classical hotel networks, which can simultaneously be franchising systems.

3.2. Strategic Alliance as a Type of Cooperation in Tourism

Strategic alliances are unions of independent enterprises as well. However, in comparison with cooperative societies, they are tied up by common activities in a whole set of functions, not some of them. Their aim is not only to save on expenditures and increase sales volumes, but also to form and achieve common strategic objectives in terms of income, growth, market share growth, development of long-term competitive advantages. Although the members of an alliance retain economic and legal independence, certain strategic decisions are delegated to central authority in the alliance. Strategic alliance can also be a transitional stage from the cooperative society (network) to a franchising system.

In recent years the process of cooperation in Germany took on a new quality: cooperative societies of tourist agencies started to form big alliances, which strengthened their positions toward tour operators, airlines and other enterprises-producers of tourist services even more. Three large mega-alliances appeared on the market: *QTA*, *TMCV* and *RSG* (Figure 4). As a result, in 2005 all 11 cooperative societies of tourist agencies in Germany belonged to mega-alliances [12]. Thus, the largest tourist concerns of Europe *TUI*, *Thomas Cook* and *Rewe Touristik* also took their positions in those alliances. For example, *TUI* is tightly connected with *RT-Reisen* (the parent of the *RTK* cooperative) by holding 25.1% of its capital. Together with *RT-Reisen*, *TUI* created a cooperative society of tourist agencies *TUI Travel Star* in the form of a joint venture. Besides, *TUI* is the premium-partner in the cooperative society *Best-RMG*. *Thomas Cook* followed the example and created – together with *RT Reisen* – another cooperative society of tourist agencies *Alpha* in the form of a joint venture. The tourist concern *Rewe Touristik* was the initiator in establishing the *RSG* alliance and its premium-partner, as well as a premium partner in the *TMCV* alliance. The effectiveness of an alliance as a structure is confirmed by the double-digit increase in sales volumes of all three German mega-alliances in 2004 [9]. The same tendencies were observed in 2005.

The integration of tourist agencies into alliances can be observed not only in Germany, but throughout Europe as well. In 2004, the European tourist market met a new sales giant: 5500 tourist agencies joined in the strategic alliance *European Travel Alliance (ETA)* and generated the sales volume of €7.8bn. The alliance included the cooperatives of tourist agencies *RTK-International*, *RTK-Germany* and a French union of tourist agencies *Alliance du Sud*. Nowadays, *ETA* is the biggest alliance of tourist agencies not only in Europe, but also in the world. Its enterprises are located in Belgium, Italy, Portugal, Spain, France, Germany, Holland, Switzerland, Luxemburg, Slovenia, and Austria [13]. The enterprises of hotel management, tour operators and software engineers have now to be more flexible in negotiating. The cooperation between the members of the alliance involves many spheres: from consolidation of power in procurement – to improvement of employee qualifications, popularization of «clean» ecological tourism, and refusal from selling products oriented at sex-tourism.

Figure 4.

Strategic Alliances of Tourist Agencies of Germany in 2005

| Alliance QTA (6149 tourist agencies) 2005/2004: + 495 agencies | Alliance TMCV (1991 tourist agencies) 2005/2004: + 238 agencies | Alliance RSG (1513 tourist agencies) 2005/2004: – 31 agencies |
|---|--|---|
| Cooperative societies: ➤ RTK, ➤ Schmetterling, ➤ Best-RMG, ➤ Alpha, ➤ TUI Travel Star | Cooperative societies: ➤ TSS ➤ AER | Cooperative societies: ➤ Pro Tours/RCE, ➤ Deutsche Reisinger ➤ Tour Contact ➤ Prima Urlaub |

Source: [12:27].

Joining in strategic alliances on the global scale has recently become typical of the hotel sphere as well. Thus, the hotel concern *Maritim* created a marketing and sales alliance together with *Millenium&Cophthorne Hotels, Singapore* (89 hotels in Europe and Asia). In 2004, a new powerful marketing alliance *Global Hotel Alliance* was established, which united such hotel networks as *Kempinski Hotels&Resorts* (Europe), *Pan Pacific Hotels&Resorts* (Asia), *Rydgest Hotels&Resorts* (Australia), and *Wyndham Hotels* (USA and Caribbean islands). The *Global Hotel Alliance* includes 235 hotels of top and de luxe class (63 700 rooms) [14].

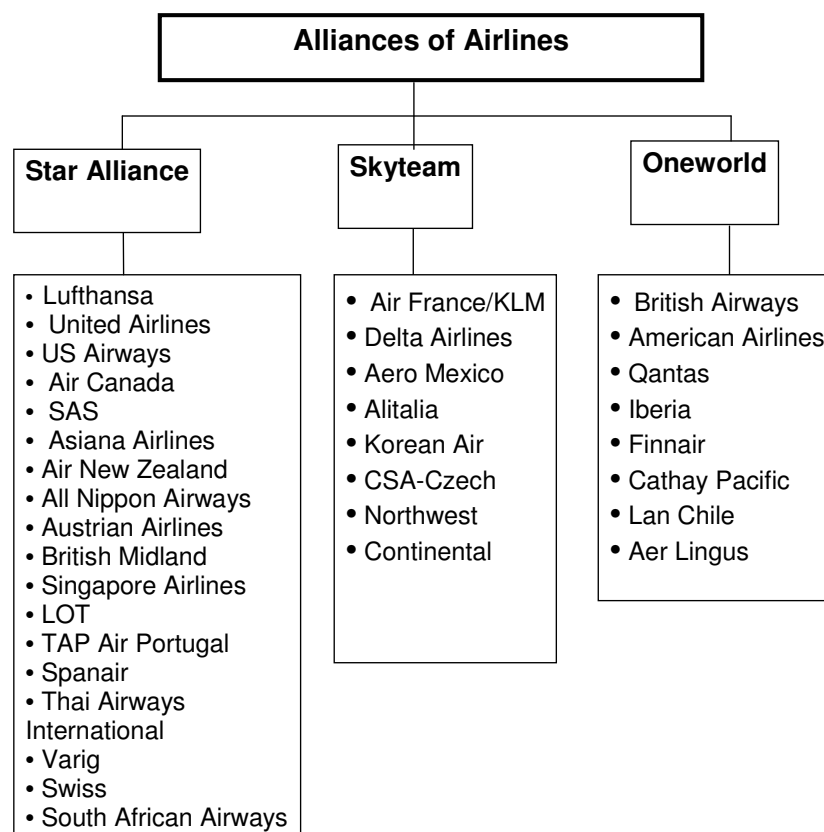
Integration of enterprises into strategic alliances is also observed in the sphere of passenger air transfer. This process especially activated in response to crises in the world passenger aviation in 2001-2005. Today, there exist three strategic airlines alliances: *Star Alliance*, *Skyteam* and *Oneworld*, to which belong two thirds of all regular passenger airlines of the world (Figure 5). They cover more than 70% of all international air connections [15:1] because *Star Alliance* occupies 27%, *Skyteam* – 25% and *Oneworld* – 18% of the world market in terms of passenger-kilometers [15:1; 15:7]. Joining into alliances for airlines means the reduction of expenses and risks, broadening of the connections network, uniting of efforts in the sphere of ticket sales, setting and adhering to common security regulations, comfort of flight and luggage registration, development of competitive advantages – a necessary step in the situation of sharpening competition with cheap airlines.

The reduction of expenses in a big industrial structure is achieved by using scale and economy effects from increased production amounts (economies of scale). Besides, reduced costs appear in result of optimized use of infrastructure, common marketing activity, and cooperation in the sphere of technical servicing of planes.

Another important source of synergetic effects in a strategic alliance is the Code-Sharing agreement, which allows to broaden the network of air connections within the alliance, adjust it maximally to passenger needs, and ensure co-operation in ticket sales for the alliance members.

Figure 5.

Strategic Alliances of Airlines in the World in 2006



Source: [5:15], www.staralliance.com, authors' ordering.

3.3. Franchising as a Type of Cooperation in Tourism

Franchising is the type of cooperation, when the seller of the franchising license gives the buyer the right to use its production and marketing know-how. Thus, the seller of the franchising license in return for payment gives another party the right to sell products or services on his behalf and in conformity with his concept. Franchising is considered to be the highest form of cooperation.

Franchising systems is a common sales strategy used by many enterprises in the world, in particular, in the hotel sphere, where franchising has recently become one of the most popular and effective forms of expansion onto the foreign markets. In the USA, the share of hotel enterprises that work under franchising systems constitutes nearly 90% and continues to grow. The reason for it is primarily the peculiar business mentality of Americans, readiness to take risks permanently. In Germany this index is considerably lower and constitutes only 25%.

The world's biggest hotel concerns are a typical example of expansion on foreign markets by means of franchising. The American corporation *Cendant* represented by its independent concern *Hospitality Services* (hotel trademarks *Days Inn*, *Howard Johnson*, *Ramada*, *Travelodge*, *Super 8 Motels*, *Wingate Inn*) is specialized in franchising and takes second place in the world's hotel ranking in terms of the number of hotels and hotel places. In 2005 *Cendant* had 6396 hotels (520860 rooms) on its asset side [16:7]. Hotels of the *Cendant* concern receive guests in many countries of the world on 5 continents.

Hotel concern *Holiday Inn* (1529 hotels at the beginning of 2005), which belongs to the biggest hotel group *InterContinental Hotels Group*, owns only 20% of its hotels, whereas 80% of hotels are the owners of the franchising license or other hotel operators active in many countries of the world. The French hotel group *Accor* (3973 hotels in 2005) also owns only 23% of its hotels; the other 38% of hotels work under franchising and managerial agreement, and 39% of hotels are rented [16: 7].

4. Conclusions

Thus, on the market of tourist services, the processes of uniting into co-operative societies, strategic alliances and franchising systems are a widespread form of expansion onto foreign markets and a guarantee of many competitive advantages under conditions of globalization. Already today, high on the agenda come the new forms of cooperation, such as virtual networks of cooperative societies: from computer reservation systems – to virtual tourist bureaus and tour operators. However today, tourist services systems demand new forms

of international cooperation in tourism – the cooperation between tourist business and the corresponding ministries at the international level [5: 60].

In Ukraine, the cooperation among Ukrainian tourist enterprises is only at the infant stage. With the development of tourism in Ukraine and growth of its tourist attractiveness for the foreign consumer, one should expect foreign tourist enterprises to expand onto the Ukrainian market, in particular, in the form of co-operation. All the more that a large hotel group of hotels de luxe *Kempinski* (*Kempinski Hotel Odessa* in Odessa) has already started its work on the Ukrainian market. The possibility of building *Kempinski* hotels in Kyiv, Kharkiv, Donetsk, and Lviv is under consideration. These could be subsidiary, as well as franchising, enterprises. The opening of the *Radisson SAS Hotel Kyiv* in the capital of Ukraine is considered to be another successful project. It is already for several years that Kyiv compels special attention of the world's biggest hotel groups, such as *Inter Continental Hotels Group* (in particular, its *Holiday Inn* concern) and *Mariott*. In addition, expansion into the market of Ukraine is in the plans of the biggest European tourist concern *TUI*. The examples of *TUI's* expansion onto the tourist market of Poland and *Rewe Touristik's* – onto the market of Russia give all reasons to assert that the appearance of big European tourist concerns in Ukraine is only a matter of time.

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