

Part Six

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# Topical issues in leisure marketing



# Introduction

In Part Six we focus on four issues which are particularly important topics currently in the development of marketing in leisure.

These topics are as follows:

- Chapter 25 The nature of competition and the ways in which leisure organisations may seek to gain competitive advantage in their respective sector.
- Chapter 26 The concept of quality and the application of traditional and emerging approaches to quality management in leisure.
- Chapter 27 The twin topics of ethics and social responsibility in relation to leisure.
- Chapter 28 Marketing research, which is clearly crucial at a time when the conventional wisdom says that successful marketing means being market- or consumer-led.

# Competition and competitive advantage

## Key concepts

The main concepts covered in the chapter are:

- Differences in the degree of competition which exists in the market in the various sectors within leisure
- The main types of competitive advantage strategies used within leisure
- The wide range of factors which influence the competitive advantage strategies an organisation chooses to adopt.

## Introduction

One of the clichés of marketing is that markets are becoming increasingly competitive, and organisations must therefore strive constantly to find new ways of achieving competitive advantage.

In leisure, these issues are particularly topical for two reasons. First, the Europe-wide recession of the early 1990s and the Asian economic crisis of 1997–1998 made many markets more competitive and this competitiveness appears to be continuing after the economies have begun to recover. Second, increased competition is being seen in sectors where it has

hitherto been limited such as the scheduled airline market in Europe, due to political factors such as deregulation.

In this chapter, we examine both competition and competitive advantage strategies, in other words, we will look at the following:

- (i) The *nature of competition* in leisure, given that competition is intense in some sectors, such as tour operation, but has traditionally been limited and even nonexistent in some areas such as state-owned airlines or public-sector leisure provision.
- (ii) The *ways in which leisure organisations may seek to achieve competitive advantage*. We will look at what organisations in the three sectors are doing.

We should begin by noting that the ways in which an organisation seeks to achieve competitive advantage often depends on the state of the economy and market at any one time. In a period of recession, competitive advantage is often based on cost reduction and price discounting, while in times of economic prosperity, mergers, acquisitions and new product development are commonly used methods.

Competition is where two or more organisations are engaged in selling a similar product to a common target market. The customer thus has a choice of product and the competition between the organisation is to see which one can persuade the consumer to buy their particular product.

We have seen that in leisure there are great differences in terms of the degree of competitiveness which are found in the market in particular sectors.

For example, competition is intense in the mass market tour operation sector but is very low, in general, in the noncommercial theatre sector. Likewise, there is considerable competition in the market for fast food and budget hotels, but it is often less pronounced in the area of local authority provision of leisure facilities.

Furthermore, the competition can exist at a number of different geographical levels.

This can range from local competition between organisations in the same town or city, for example, in the restaurant sector, to truly global competition between organisations based on different continents, as is the case with major scheduled airlines.

However, there are also two other factors which complicate any discussion of competition in leisure, as follows:

- (i) Internal competition where one part of an organisation appears to be in direct competition with another part of the same organisation. This can be true for local authority museums in the same city or for travel agents owned by one operator selling the product of a competitor operator, or for hotels in adjacent towns, owned by the same chain, chasing the same conference booking.
- (ii) Competition from outside the sector altogether, or what is sometimes termed, 'substitution'. In other words, the competition for a tour operator trying to sell a holiday to a consumer may not be another tour operator, but rather another form of consumer purchase. For example, the consumer may choose, in a particular year, to substitute the purchase of a new house or car for a holiday. Likewise, for many visitor attractions, their main form of competition is not other visitor attractions, but other uses of leisure time and spending such as gardening or home entertaining.

The diversity of levels and type of competition within leisure are a reflection of differences between individual sectors within these three fields, in terms of a range of factors including the following:

- state intervention in the market through subsidies, regulation of entry into the market and the role of state-owned organisations as active players in the market;

- the number of major players who are in any one market and the extent to which they may cooperate, formally or informally, together with the possible existence of implicit or explicit price-fixing;
- the lack of a profit motive for many public- and voluntary-sector organisations within the three fields which tends to modify the concept of competition;
- professional cultures in some sectors which are based on cooperation rather than competition, such as in the case of museum curators.

Finally, it has to be noted that the lack of marketing research data, in many areas with which this book is concerned, means that many organisations' attempt to identify their competitors are based more on perception than hard facts.

We will now look at a number of *approaches to achieving competitive advantage* which have been used, or could be used, in leisure. These include:

- rationalisation and cost reduction measures
- innovations in product development
- product differentiation
- pricing policies
- improved distribution systems
- more effective promotional techniques
- relaunches and rebranding
- developing brand loyalty
- market focus
- mergers and acquisitions including vertical and horizontal integration
- strategic alliances
- franchises
- marketing consortia
- diversification into other fields that reinforce the core business
- selling corporate values to prospective customers as part of the organisation's product.

In some sectors, *rationalisation and cost reduction* have always been a popular way of trying to achieve competitive advantage. The aim is to reduce the organisation's cost base below that of its competitors, in line with the concept of cost leadership in Porter's model of generic competitive strategies. This usually involves reducing labour costs, in particular, as these are a relatively high proportion of the costs of many service industry organisations. This strategy is particularly common in times of economic recession when the lack of consumer spending power is holding down prices or even forcing discounting to take place. With such limited prospects for increasing income, reducing costs may be the only real option for managers.

However, rationalisation and cost reduction may also be used in anticipation of the arrival of a new competitor in the market. For example, the cross-channel ferry companies operating between France, Belgium, Holland and the UK undertook such action in anticipation of the opening of the Channel Tunnel.

There is always a danger of such an approach, thought, that cost reductions may lead to poorer standards of service which may cause competitive disadvantage in the longer term.

Many leisure organisations have sought to 'leap frog' over their competitors through *innovative product development*, by introducing new concepts and types of products. Examples of this in the last fifty years include the Club Med all-inclusive formula resorts, Center Parcs, the Disney theme parks and Concorde. Furthermore, if successful, this will spawn imitations so that the organisation will need to be constantly seeking new ways of

keeping ahead of its competitors. Thus, Club Med now faces competition from a number of all-inclusive resorts.

Rather than one-off innovations in product development, most product-related competitive advantage strategies in leisure are concerned with *differentiating the product* of the organisation from that of its competitors. The following examples serve to illustrate this point:

- (i) the services offered to business-class passengers on airlines including check-in facilities, exclusive lounges, in-flight catering and seat pitch;
- (ii) the range of destinations offered by tour operators and the departure airports which they can offer their clients;
- (iii) hotel chains competing in terms of hotel location and services such as leisure facilities, in-room computer link ups for business clients and the number of people the room can accommodate, for the family market;
- (iv) many theme parks desire to have the latest, most attractive 'white knuckle' ride;
- (v) tourist destinations that seek to develop reputations based on particular specialist aspects of their product such as Scheveningen with its casino, and those which have developed their sport facilities, like Sheffield;
- (vi) the different programmes of dramas and musical events offered by theatres.

*Pricing* is used as a competitive advantage tool in leisure in a number of ways, as follows:

- low introductory prices for a new product entering a competitive market;
- low prices in general for organisations seeking to attract consumers for whom economy is a key benefit sought from any purchase;
- last-minute discounting to generate some income at least in the case of perishable products;
- discounting to attract particular market segments such as groups at visitor attractions and major corporate clients for airlines;
- premium pricing to differentiate the product on the grounds of exclusivity and status value.

Leisure organisations are constantly trying to *improve the effectiveness of how they distribute their product* to their potential customers. This can include the following:

- looking to use new technology to allow the organisation to communicate directly with customers, rather than through marketing intermediaries, most notably the Internet;
- developing ever more sophisticated Computer Reservations Systems (CRS) and Global Distribution Systems (GDS);
- offering more incentives for intermediaries to encourage them to sell more of the organisation's product.

Many leisure organisations spend considerable sums of money on *promotion* and it is natural, therefore, that efforts should be made to achieve competitive advantage through making promotional activities more effective. Such efforts include:

- The use of video and multimedia to portray product images to prospective customers;
- More eye-catching, imaginative advertisements;
- Joint 'piggy-back' promotions with nonleisure organisations which sell to similar target markets such as the promotions between British Airways and the UK food retailer, Sainsbury's, and between Air France and Martells Cognac in the 1990s.

Nevertheless, in spite of this it is noticeable that in areas like promotional literature, there is often relatively little differentiation in style and format between most tour operator brochures across Europe, for instance.

*Relaunches* are a well-established way of trying to gain or regain competitive advantage in leisure. In the UK, the old Butlin's holiday camps have been relaunched as sophisticated modern 'Holiday World's'.

On a grander scale, some seaside resorts have relaunched themselves such as Scheveningen in the Netherlands, Majorca and Benidorm in Spain and Torbay in the UK, the latter under the banner of the 'English Riviera'.

*Rebranding* has been also used by some organisations to respond to changes in consumer preferences. Relaunches and rebranding can help to re-invigorate an older organisation or product range but they do not guarantee success.

At a time of great competition, most organisations want to encourage *brand loyalty* for it is easier to keep customers than to try to win new ones. We have seen this particularly in the scheduled airline sector with its frequent flyer programmes. On a more modest scale, visitor attractions such as museums and theatres may also offer season tickets for the same reason.

The third of Porter's generic strategies, *market focus*, has been used successfully by some leisure organisations to achieve competitive advantage. In the UK, for example, the market has been segmented on demographic lines for this purpose with Saga focusing on older, retired customers, and Club 18–30 concentrating on younger customers in their late teens and twenties. Marketing in leisure has often focused on demographic factors as we can see from destinations which advertise themselves as family resorts and those which concentrate on couples as their main market. Those organisations seeking to adopt a market focus in the future may perhaps target those who are particularly health-conscious, for instance, or may aim to attract those who are particularly interested in new technologies such as virtual reality.

*Mergers and acquisitions* have long been used, predominantly in the private sector, to develop competitive advantage within leisure. This process often involves both vertical and horizontal integration. For example, the UK tour operator, Thomson, has grown by taking over other tour operators such as Horizon and Blakes Country Cottages, as well as buying up or creating suppliers and marketing intermediaries such as Britannia Airways and the Lunn Poly travel agency chain. In turn, of course, Thomson itself was ultimately taken over by the German travel group, TUI. The French Accor group has also grown through mergers and acquisitions, even outside its core business of leisure. Its purchase of the Wagon-Lits group also gave it a chain of travel agency outlets. However, mergers and acquisitions can be an expensive form of growth strategy.

In some areas of leisure, such as the airline sector, *strategic alliances* have been more popular than outright mergers and acquisitions. This may be because the capital costs involved in civil aviation are so high that acquisitions may be too costly at a time when most scheduled airlines in Europe are not making profits. However, it may also reflect state intervention in the market which can make some mergers and acquisitions particularly unacceptable to some governments when they involve foreign companies. Whatever the reason, strategic alliances have been widely used in the airline industry to achieve competitive advantage, at relatively little cost.

Strategic alliances may also exist between sectors such as hotels and airlines, or car-hire companies and airlines, or theme parks and local hotels, to give just three examples.

Another relatively inexpensive and low risk way in which some leisure organisations have sought to increase their power in the marketplace has been through *franchising*. The franchiser provides the franchisee with the right to use the franchiser's brand, together with a range of other support which might include assistance towards capital costs, marketing advice, purchasing services and so on.

However, the franchiser will also set a specification of minimum standards with which the franchisee must comply, together with standard operating procedures to ensure conformity with the overall brand. In this way, the franchise organisation can grow the brand at minimal cost and risk to itself. Most of the risk and cost is shouldered by the franchisee.

Franchises have been used extensively in the hospitality sector for example, in the case of Domino Pizza, Holiday Inn and the Campanile chain. They are also being used widely now by McDonald's. In addition, franchises can be found in the leisure sector in relation to sports facilities, for example. However, they have also now appeared in the transport sector too. For instance, in the 1990s, British Airways franchised certain independent carriers to operate in its livery and provide services under the British Airways Express brand. These carriers included Maersk Air UK, GB Airways, Manx Airlines (Europe) Ltd and Loganair Ltd.

In an era of competition and economic uncertainty, franchises can be a very attractive way of attempting to gain competitive advantage. However, franchisers have to be careful to ensure that franchises maintain their own standards, otherwise the overall reputation of the brand may suffer.

*Marketing consortia* have been developed widely within leisure, most commonly in the public and voluntary sectors. However, there are a number of well-known ones in the private sector too. In most consortia, partners come together to undertake joint marketing activities which they could not afford to carry out on their own. Usually the partners will share a theme. France, for example, has a number of such consortia, many of which bring together different towns and cities as partners. For example, there is an association of Roman towns and cities which produce joint brochures on the Roman monuments of the respective partner towns and cities.

Marketing consortia in the private sector are found most commonly in the hospitality sector. A good example in Europe is the Minotel Group which brings together small privately owned hotels across Europe. Then there is Best Western which is also a consortium.

However, whichever sector they exist in, consortia have the same basic concept, namely to give individual organisations power in the marketplace they could not otherwise have, through cooperation with other organisations in a similar field.

Some leisure organisations have sought competitive advantage, partly through *diversification* into other fields of activity which nevertheless reinforce their core business. An excellent example of this is the Georges Dubeouf organisation in France.

A renowned wine producer, the organisation opened a state-of-the-art visitor attraction devoted to telling the story of Beaujolais wine, at its headquarters in Romaneche-Thorins. The attraction also serves to remind visitors of the George Duboeuf brand, and there is a shop in the attraction where the customer may purchase the products of the organisation.

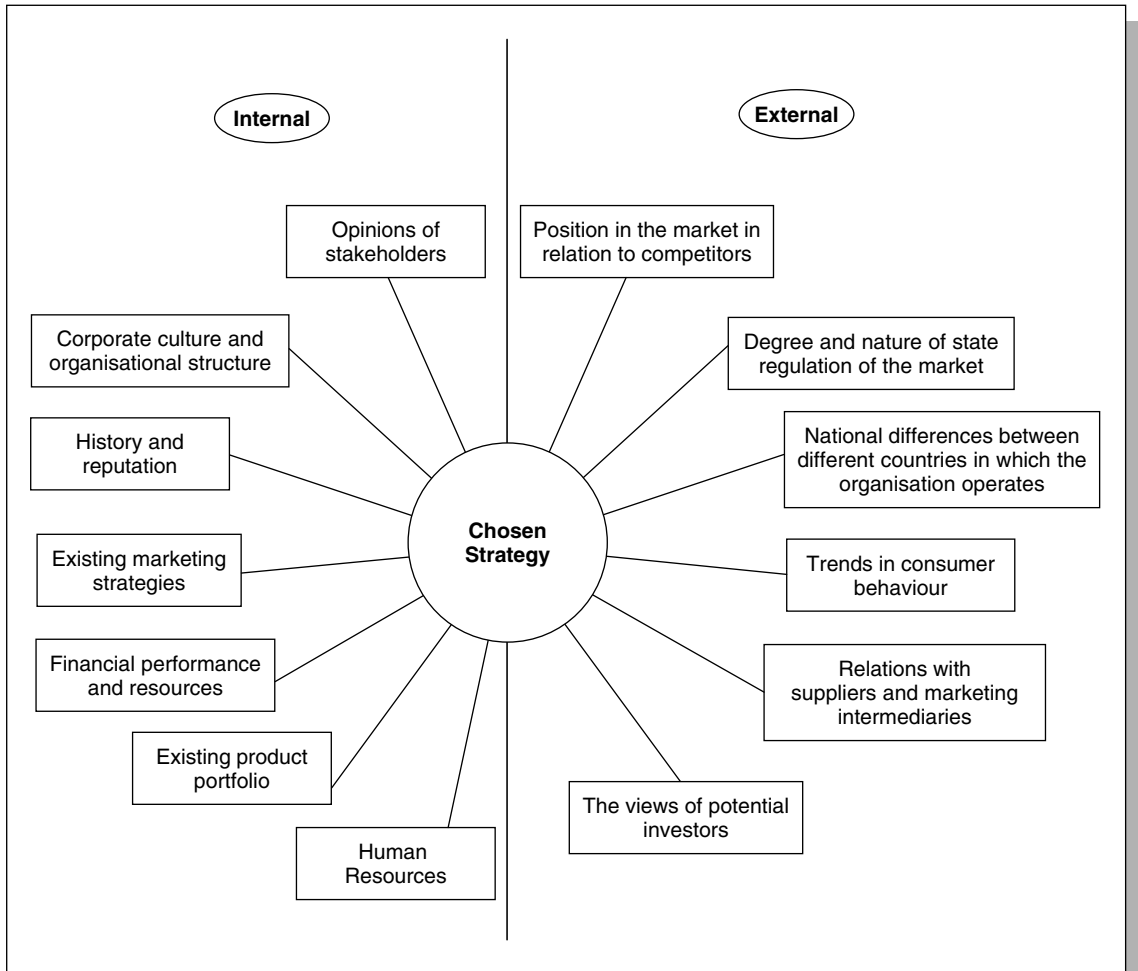
In other industries, we have seen a trend towards some organisations attempting to *sell their corporate ethical values* as part of their product. Some of these have been very successful, such as the UK organisation, the Body Shop, with its policy of not testing its products on animals and its involvement in aid projects in developing countries. Such organisations make customers feel good about buying their product because of the organisation's moral approach to business.

As yet, we have seen few such examples in leisure. Perhaps such examples will develop in the future, if consumer interest in ethical business and environmental issues grows in relation to leisure. We may be already seeing the start of this trend with the rise of small tour operators who claim to offer environmentally friendly holidays, particularly in the Netherlands. Likewise, with the action on environmental issues of major companies such as TUI in Germany and its partly owned partner company, Grecotel, in Greece.



Having now considered the main ways in which organisations *in leisure may seek to gain competitive advantage*, it is an appropriate time to look at how organisations choose which strategy to adopt. As we noted earlier, most organisations utilise several approaches rather than just one.

The factors influencing the approach taken by an individual organisation can include internal ones such as the organisation’s history, culture and financial resources, together with external ones such as consumer behaviour and state intervention in markets. The factors will be different for each organisation and it will be a mixture of manager’s perceptions and reality. Some of the most important factors are illustrated in Figure 25.1.



**Figure 25.1** Major factors influencing the choice of competitive advantage strategies

In many respects, there are perhaps greater differences between sectors than between countries in terms of the level of competitiveness in markets and competitive advantage strategies. National differences do, however, exist in relation to levels of competitiveness in particular sectors such as the hotel market, for example. In the UK, there is virtually no regulation of hotel prices, whereas in Greece, hotel prices are partly fixed by state intervention.

In terms of competitive advantage strategies, some of the more modern approaches such as franchising, marketing consortia and strategic alliances are found more commonly in certain countries such as the UK and France, for example.

Finally, organisations wishing to expand into certain countries may be forced to adopt particular approaches simply because national laws and government policy make other approaches impractical.

## Conclusion

We have seen that the level of competition varies between sectors within leisure, and between countries, and that there are a range of competitive advantage strategies that organisations may adopt.

## Discussion points and essay questions

1. Compare and contrast the nature of competition within leisure.
2. Using examples, discuss the ways in which product differentiation has been used to gain competitive advantage in leisure.
3. Evaluate the role of strategic alliances *or* franchising within leisure in achieving competitive advantage.

## Exercise

Select an organisation from *one* of the following sectors:

- scheduled airline
- tour operation
- accommodation
- restaurants and catering
- arts
- visitor attractions.

Evaluate the current marketing situation of your chosen organisation.

You should then suggest what you consider to be, the three most appropriate methods by which this particular organisation might attempt to enhance its market position. You must justify your decision to select these three approaches, rather than any of the other which are outlined in Chapter 26.