

The international leisure industry

Key concepts

The main concepts covered in the chapter are:

- The types of organisations that exist within the supply side of the leisure sector
- The role of transnational corporations in the leisure sector.

Introduction

The previous chapter looked at the nature of the international leisure market and the demand factors that need to be taken into consideration. This chapter will consider the supply side of the industry, the trends in the structure of the industry and the rise of transnational corporations.

It is important to reiterate that the leisure market is not served by one industry but by a combination of different types of organisations supplying very different products and services, including:

- transport organisations;
- tour operators and travel agents;
- visitor attractions;

- the hospitality industry including commercial accommodation suppliers and restaurants;
- recreation organisations.

These industrial sectors of leisure are shown in Figure 4.1. Destination markets include countries, regions and individual cities and towns. This type of marketing involves a complex of interactive products and services which the visitor 'buys' (Table 4.1).

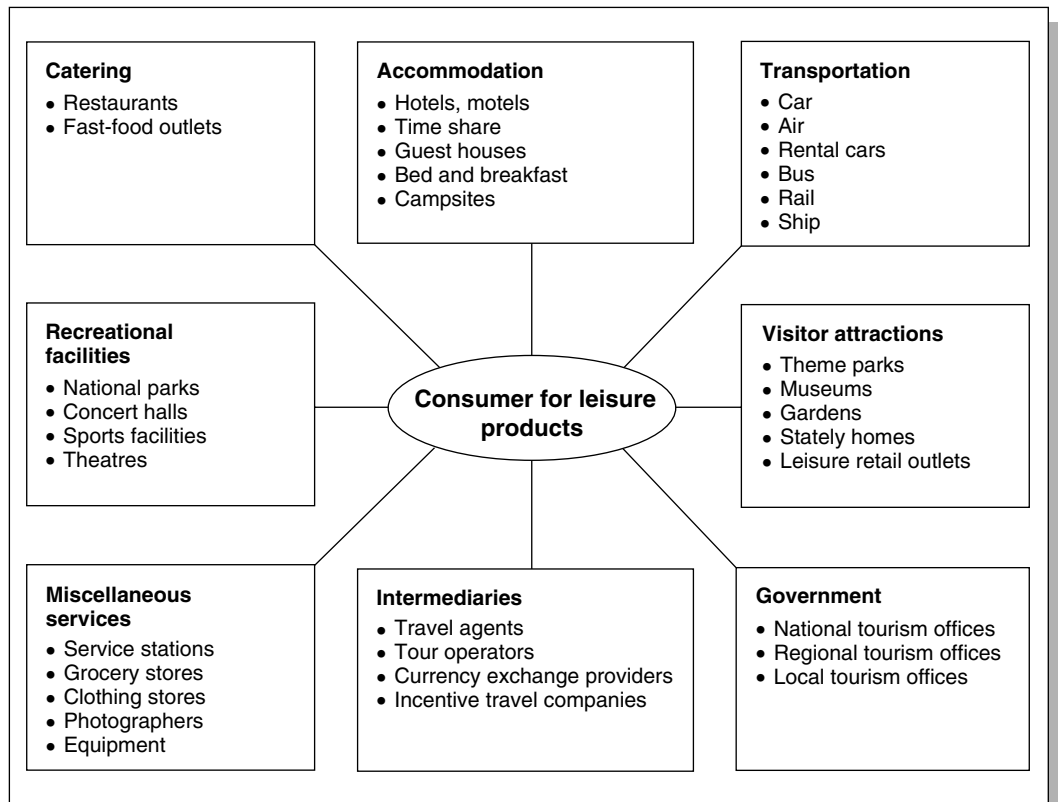


Figure 4.1 The industrial sectors of leisure

<p>What the customer 'buys'</p> <ol style="list-style-type: none"> 1. Beautiful location with clean beaches 2. Transport facilities within the town and links to surrounding areas 3. Accommodation 4. Catering products 5. Access to visitor attractions 6. Access to shopping for general and special purchases relating to the holiday 7. Access to recreational facilities such as leisure parks, bars, nightclubs, cinemas, water sports, etc.
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Table 4.1 Destination market: large European seaside resort

Market structures

The international market for leisure products has been developed by organisations of different sizes. These range from local organisations in the voluntary and public sectors that have developed small organisations, to the global organisations in the commercial sector, which have developed businesses as part of their global strategy. The leisure market in general, however, is very fragmented in nature. Most of the major sections of the industry have a large multinational presence in the market. The multinationals, however, often only represent a small part of the total market size.

Most of the large operators have levels of business which only represent a small part of the total amount that is spent on leisure. Large companies, however, have already recognised that they can target customers who have things in common across national boundaries. We can now consider some of the major sectors of the leisure industry to explore these ideas in more depth.

Sectors of the leisure industry

Catering – fast food

The unification of Europe and the growing openness in Eastern Europe has opened up the European market to global fast-food chains. This development and growing openness developed in the areas of the world that had the most rapid growth in their economies in the late 1990s.

There was a tremendous opportunity for the rapid spread of the franchised fast-food chains. The younger generation were influenced by American culture and were keen to visit chains such as McDonald's, Pizza Hut and Burger King. The chains also encouraged the special occasion dining experience such as the child's birthday party across the world. The acceptance by governments and consumers alike to this type of catering outlet has fuelled the tremendous growth in franchise food outlets across the world, spearheaded by the chains. Dominance by the American chains in the development of this sector of the leisure industry could lead to the inevitable question of whether the development of markets in the future will be an 'Americanisation' process or whether people will return to an interest in their local cultures. What is clear is that the growth of the international restaurant franchise has been a major contribution to the globalisation strategies of leisure organisations.

Accommodation – hotels

The hotel industry is increasingly making a global push to attract the world's top business and leisure travellers. Hotel chains now operate on every continent of the world, except Antarctica. The market for international and national visitors and the total spend on hospitality products vary enormously between countries in the world. Despite this, there is a push for the major hotel groups to become global in nature. The global hospitality industry is dominated by the American corporations, but other chains such as the Europe-based company – Accor – are also becoming major international players.

The French-based Accor group has developed an increasing presence across the world from a strong French foundation. The company has developed their hotels from a strong portfolio of branches including Altea, Formule 1, Novotel and Sofitel. The company owns hotels in most European countries and is busy expanding across the world. It is typical of the type of global expansion that is characterised by larger hospitality providers.

The world's hotel stock still largely consists of unaffiliated and privately managed properties but the international chains (such as Cedant, Inter-Continental, Marriott, Accor, Choice Hotels International, Hilton Hotels Corporation, Starwood and Carlson Hospitality) still have distinct marketing advantages. Many hotel chains are beginning to increasingly target the leisure rather than the business traveller (for example, TUI Hotels and Resorts, and Sol Me La). There are also new trends beginning to emerge in the hospitality sector such as the budget hotel with little or no service and the boutique hotel targeting a very specific target group.

Transportation – airlines

The demand for airline travel via scheduled airlines is international in nature. This is due to sophisticated distribution and computer reservation systems, and the fact that the product is largely based on international travel.

Other forms of air travel are demanded on a national basis. The development of charter airlines, for example, has occurred to supply the needs of domestic tour operators. The airline industry has become global because the major airlines have grown by acquisition, merger and franchising agreements. The growth of the global route networks has been fuelled by an increasing trend to deregulation and privatisation. Airlines have had a period of extensive change and have increasingly used sophisticated market segmentation and branding policies.

The airline industry has therefore moved from a situation where there was a high degree of national protection encouraged by state ownership and government control of landing rights, to a highly competitive international industry. Major international airlines are American (for example American Airlines, United Airlines, Delta and Northwest), but other international airlines originate in other areas of the world (for example Air France Group (France), Lufthansa (Germany), British Airways (UK) and Japan Airlines (Japan)).

The growth of the international carriers and the major development of international airports, such as Schiphol (Amsterdam), Heathrow (London), Hong Kong (China) and O'Hare (Chicago, US), has meant that the market for airline tickets has become a global market. The ways in which the airline companies sell their seats to an increasingly international consumer using sophisticated distribution channels is the best example of a global business in the leisure sector.

Visitor attractions

Visitor attractions have been defined as:

designated permanent resources that are controlled and managed for their own sake and for the enjoyment, amusement, entertainment and education of the visiting public.

Middleton and Clarke (2001)

Middleton and Clarke (2001) expanded this definition by categorising visitor attractions into ten categories as follows:

- ancient monuments
- historic buildings
- designated areas, parks and gardens

- theme parks
- wildlife attractions
- museums
- art galleries
- industrial archaeology sites
- themed retail sites
- amusement and leisure parks.

Visitor attractions have been characterised by Swarbrooke (1999) into different groups according to their catchment area. These include attractions which are very local in appeal. The second group includes attractions that have a regional catchment area, such as smaller theme parks. Relatively few attractions have primarily national catchment areas and are usually market leaders in their field. Alton Towers in the UK is one example of an attraction with a national catchment area. Only a small number of attractions enjoy an international catchment area. These tend to be unique attractions which are world famous. Disney World is an example of such an international attraction.

Most attractions are therefore marketed on a local basis with small marketing budgets. It is the large international attractions which provide the opportunity for global marketing programmes. These larger operations need substantial operating and marketing skills. The attractions must be funded by the right financial package, must have an appealing theme so that large numbers of customers are drawn each year, and must have access to a large catchment area to encourage the large numbers of customers. To conclude, therefore, this sector is largely dominated by independently owned and marketed attractions. There are examples of larger operators that have specialised in the visitor attraction market. In the UK, Merlin Entertainment Limited is an example of a European attraction company that operates aquariums, bingo clubs, dungeons, and health and fitness operations across Europe.

The Tussaud's Group owns and manages a number of major visitor attractions including Alton Towers, Chessington World of Adventure, Madame Tussauds, The London Planetarium and Warwick Castle. It also manages the operation and marketing of the British Airways London Eye, London.

The National Trust is a registered charity that is responsible for more than 250 sites across the UK as well as the management of vast areas of countryside and coastline. It can be seen that a wide diversity of organisations in the public, private and voluntary sector own and manage visitor attractions.

Recreational facilities

Recreational products and services can be provided both inside and outside the home. They consist of a vast array of products in the home (reading, home entertainment, house and garden, and hobbies and pastimes) and out of home (gambling, sports and activities, and hobbies and pastimes). Some of these recreational products have been provided by local suppliers who have concentrated very much on local customers. Examples of these are local authority leisure centres, garden centres and local sporting clubs. There are signs, however, in certain areas of recreational provision of the growth of global players who are beginning to dominate the market.

Examples of these include the in-home gaming machines sector dominated by Sony and Nintendo; the CD, record and tape industry dominated by Universal, EMI, BMG, Warner and Sony and television dominated by international television and film production companies such as Warner Brothers, Sky, Columbia, Tristar, CIC and Fox and Warner. The

growth of the use of the Internet as a source of recreational entertainment has been the ultimate in the development of a global business.

Intermediaries – tour operators

The demand for holidays, particularly package holidays, has grown in many markets during the last fifty years. This has resulted in a growth in the number of tour operators in particular regions of the world where demand is more well developed.

In Europe, for example, there has been an explosion in the number of package holiday companies that have established a substantial market in recent times. These include companies which operate on a European-wide basis such as TUI (Germany), Kuoni (Switzerland), Club Méditerranée (France) and Grupo Viajes (Spain).

The expansion of tour operators into other markets is one means by which tour operators have sought to improve their market position. There has been a particular growth in recent times of global companies who have realised that travel products and services can be sold very well through online distribution systems. This is a substantial threat to the tour operators and high street travel agents.

International companies have expanded rapidly in recent years and the amount of travel business that is booked online is growing year by year. International players in this market who are all predicted to take the travel market in the future from more traditional intermediaries include:

Expedia (US)
Priceline (US)
Ebooking (UK)
Travelocity (US)
Hotels.com (US)
Lastminute.com (UK).

Conclusion

This chapter has looked at the structure of the leisure industry. It has been seen that although there are signs that global organisations have emerged in each of the major sectors of the industry, the industry is still dominated by smaller nationally based organisations. The targeting of international market segments such as the international business traveller or the global teenager has allowed certain organisations to develop an international business. We predict that these organisations will continue to grow and emerge as new opportunities in the leisure sector emerge. It is important to recognise, however, that the market is still dominated by many millions of small suppliers in the public, private and voluntary sectors. This means that there are many opportunities still for the small entrepreneurial leisure providers to establish a worthwhile business.

Discussion points and essay questions

1. Discuss the patterns of ownership found in the airline tour operation and hotel sectors.
2. Choose a major European tourism, leisure or hospitality company. Describe how the organisation has grown over time and explain why it has developed in this way.
3. Analyse the effect the Internet is having on organisations in one chosen sector of the leisure industry.

Exercise

For the country in which you live, select *one* of the following sectors:

- visitor attraction;
- accommodation;
- arts and entertainment;
- catering;
- sports centres.

For your chosen sector you should:

- (a) outline the balance between small businesses and large corporations within the sector;
- (b) identify the respective roles of the public-, private- and voluntary-sector organisation;
- (c) discuss the involvement, if any, of major organisations in your chosen sector and in other leisure businesses.