

Globalisation

Key concepts

The main concepts covered in the chapter are:

- The process of globalisation in terms of demand, supply and the business environment
- Globalisation as an opportunity and a threat for European organisations.

Introduction

We must recognise that leisure organisations are global activities and transnational industries. Furthermore, there is a trend towards increased globalisation in the leisure sector.

By globalisation we mean companies that increasingly operate across the world and sell their products to a worldwide market, which in itself is becoming more homogeneous.

For two European authors, it is interesting to look at globalisation from a European perspective. Readers from other regions of the world may wish to look at it from the point of view of their own part of the world.

The position in Europe needs to be seen in the context of this process, and the concept of competition within Europe needs to be considered in relation to competition from outside

Europe. Later in this chapter we will look at the issue of competition between Europe and the rest of the world, and the ways in which they are influencing each other.

First of all, however, we will look at the *three interrelated aspects of globalisation*, namely:

1. consumer behaviour – the demand side;
2. industry structure – the supply side;
3. the business environment – the context for the relationship between the demand and supply side.

In many ways it is the latter factor, which is the driving force behind changes in the other two areas. However, it is important to appreciate that the links between all three are blurred and they are all inseparably intertwined.

Nevertheless we can identify some forces in the business environment which are driving the move towards increased globalisation.

Some of these forces, both in terms of the *macro and the microenvironment* are as follows:

- (i) Technological developments such as Global Distribution Systems which are allowing companies to operate on a truly global basis. Likewise, increasingly sophisticated types of media technology such as the Internet are making it easier for consumers to gain access to products from all over the world.
- (ii) Political change in a number of regions of the world such as Southern Africa, the Middle East, Eastern Europe, North America and Mexico (with the trade treaty between the USA, Canada and Mexico). In general, these changes are making it easier for companies to set up operations in these regions, and for investors to invest in new projects in such countries.
- (iii) Trade treaties such as the GATT Agreement are slowly creating a 'level playing field' on a global scale where companies from other parts of the world can compete with local companies on equal terms.
- (iv) Economic development in many countries outside the so-called 'developed world' is taking place often at great speed. These countries, such as those of South-East Asia, for example, are thus becoming more attractive markets for foreign companies. They are also developing their own leisure industries as their economies grow, and their companies are proving increasing competition for those from the older industrialised countries.
- (v) The media is also becoming more globalised and that in turn is leading to some globalisation of social and cultural factors in the business environment. For example, interest in environmental issues is growing in many countries and the media has played a major role in this. The same is true in relation to health, for example. Likewise the globalisation of the media has also helped create some globalised social phenomena such as the international teenage culture, for instance.
- (vi) The growth of competition within individual countries and the impact of domestic economic recessions in the early 1980s has led to companies looking abroad for their future growth. Globalisation through joint ventures, franchises, strategic alliances, takeovers and mergers has become the way in which many organisations have sought to achieve competitive advantage.
- (vii) Management theorists, particularly those from the USA and Japan, have had their ideas widely disseminated around the world and many have been highly influential. Many companies are therefore now being managed in terms of standardised management theories, from Bradford to Bogota, and Boston to Bangkok. In theory, at least, this should make it easier for companies to undertake transnational expansion.

This brief selective list shows some of the factors which are driving the process of globalisation in leisure marketing. We can see, therefore, that globalisation is a matter of both a choice being exercised by the industries, and changes in technology and the political environment which are making it possible for them to exercise this choice.

Some commentators tell us that we are moving towards the day when we will see the birth of the *global consumer* in leisure, whose behaviour will differ little in relation to their nationality. If this is the case, it will probably be a result more of the actions of the relevant industry than a desire for such a development on the part of the consumer.

Furthermore, globalisation in leisure will also be promoted by some companies in other industries to help achieve the broader aims. For example, the media companies and information technology industry will see leisure as an area of application for their globe-shrinking new products such as smart cards and multimedia systems.

We should note that this process of globalisation is affecting many other industries apart from leisure, for some of the same reasons that we noted earlier in respect of the sector with which we are primarily concerned – for example, the food and drink industry, the entertainment business, financial services and retailing. Indeed, it could be argued that globalisation in these industries is much more highly developed than it is in leisure. Hence the growth of truly global brands such as Coca-Cola.

Clearly, in some ways, leisure has always been a global industry by its very nature, moving people from continent to continent. Some hotel chains have been global operators for many years, for example, football companies operating across national boundaries. However, the trend is now gathering pace, becoming more widespread and is encompassing leisure increasingly too.

Nevertheless, there appear to be some obstacles to globalisation, particularly in relation to national differences in consumer behaviour and government policies, for example. Patterns of demand and preferred holiday resorts can vary dramatically between different countries while some governments take a negative attitude towards the arrival of foreign companies in their national market. So the march of globalisation will continue to vary in pace between different countries, and will falter from time to time, in response to these obstacles.

If we believe that the process of globalisation will continue then from a European perspective, we have to see it as both an opportunity and a potential threat in terms of the leisure markets.

Globalisation is an opportunity for European organisations because it means opportunities for expansion and new markets to exploit. In recent years we have seen European companies growing through strategies based on becoming players on a truly global scale. Examples of these include:

- Club Méditerranées expansion in terms of its resorts in countries such as Mexico and Australia, together with its campaigns to attract customers in the US and Japanese markets;
- Accor's expansion into the USA hotel sector through its purchase of the Motel 6 chain.

However, there are clearly risks for organisations when they seek to exploit globalisation, such as British Airways' ill-fated rebranding that saw it remove the UK Union Jack from the tails of its aircraft to be replaced with artwork drawn from different countries in its global network. It is clear that this statement about being a global rather than a UK airline was not to the taste of many international as well as British customers.

This globalisation has not just been seen in the commercial sector. Government-funded destination-marketing agencies have also put some effort into marketing their product on a truly global scale.

However, we already can see *how globalisation could be a threat to Europe's leisure industry* in the following ways, for example:

- Europe is already losing its share of the worldwide international tourism market as new destinations, outside Europe, come into the market;
- the rapid expansion of American fast-food chains such as McDonald's in Europe, which have changed the catering industry in Europe dramatically;
- the interest being shown in the liberalisation of Europe's air transport industry by the lean and fit US airlines which have already survived the American de-regulation process.

Clearly these opportunities and threats are similar to those which have already been faced by other industries, particularly in the manufacturing sector. In many older traditional industries, such as steel and textiles, and newer industries like computers and audio equipment, we have seen Europe losing out to non-European countries. These countries have tended to succeed for a variety of reasons including lower prices and being more in tune with changes in consumer demand.

We must, of course, appreciate that there are inherent differences between services like leisure and manufacturing industries. However, we should recognise that some of the ways in which Europe is seeking to compete in manufacturing, product markets may offer lessons for the situation with regard to leisure. These include:

- concentrating on higher quality, premium priced products rather than competing purely on price;
- working on improving the service element of the product which is often compared unfavourably to those offered in other parts of the world, most notably South-East Asia;
- becoming better at marketing in terms of research, new product development, promotion, distribution and selling;
- anticipating changes in consumer behaviour better and adapting products quicker to meet changes in demand;
- utilising technology to improve both efficiency of operation and the service which is offered to customers;
- the coming together of European businesses in particular sectors so that their combined strength allows them to compete with non-European companies.

Conclusion

If we look to the future, we will probably see a continued move towards globalisation, which will be made increasingly possible by technological innovations. Each day we move a little closer to the so-called 'global village'.

It may well be that while we in Europe are concerning ourselves with the concept of Europeanisation, Europe will find itself being 'leap-frogged' by the process of globalisation. We must therefore always consider leisure marketing in terms of a global context rather than behaving as if somehow Europe were a closed system.

Currently, in tourism at least, globalisation appears to be moving the 'centre of growth' of the leisure market from Europe to Asia.

Discussion points and essay questions

1. Critically evaluate the extent to which the process of globalisation is making the concept of countries and even regional blocks like the European Union obsolete.
2. Discuss the opportunities and threats which the process of globalisation represents for leisure organisations in Europe, Asia and North America.

Exercise

You should choose *one* of the following sectors:

- hospitality
- recreation and sport
- tour operation
- museums.

For your chosen sector you should produce a report covering the following issues:

- (i) the role of European organisations in the relevant market(s) in non-European countries;
- (ii) the role of non-European organisations in the relevant market(s) within Europe;
- (iii) the extent to which the relevant market(s) may be considered to be global at present.