

ANNOTATED TEXT OUTLINE WITH SUGGESTIONS FOR INSTRUCTOR**Chapter One Outline****Introducing the World's Largest Industry, Tourism**

- i. Quote: Mark Twain
- ii. Chapter Opener: Could a Career in Tourism Be in Your Future?
- I. Introduction
 - A. Tourism is the business of travel
 - B. Multi-faceted industry composed of many components
- II. Services and Tourism
 - A. Growth rate of services sector faster than any other
 - B. Tourism a truly worldwide
 - C. Tourism has increased steadily over the past 50 years
- III. What is Tourism?
 - A. Definition: "Tourism is the temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created to cater to their needs"
 - B. Tourism and the Blind Men and the Elephant: Diverse and difficult to describe
 - C. WTTC and the UNWTO have spearheaded efforts to highlight the breadth and economic impact of tourism
 - D. Data can be collected and analyzed for each of the industry subgroupings through tourism satellite accounts
 - E. Tourism is equivalent to the "visitor-service industry"
- IV. A Tourism Model
 - A. Figure 1.2. Model highlights the important participants and forces that shape tourism
 - B. Dynamic and interrelated nature of tourism
 - C. The traveling public (tourists) are the focal point (heart) of the model
 - D. Tourism promoters link the traveling public with the suppliers of services
 - 1. Travel agents
 - 2. Tour wholesalers
 - 3. Promotion agencies such as state tourist boards
 - E. Tourism suppliers provide the services that tourists need when they travel
 - 1. Transportation suppliers
 - 2. Lodging suppliers
 - 3. Food and beverage suppliers
 - 4. Attractions and entertainment

- 5. Destinations
- F. External forces affect all participants in tourism; tourists, promoters and suppliers
 - 1. Social/Cultural
 - 2. Economic
 - 3. Political
 - 4. Environmental
 - 5. Technological
- V. The History of Tourism
 - A. Early travelers migrated for food and hunting
 - B. Phoenicians, Mayans, early Chinese traveled for trade and military control
 - C. The Empire Era
 - 1. Egyptians, Greeks, and Romans
 - 2. Traveled for government, commercial, educational, and religious purposes
 - 3. Necessity of long-distance travel to control vast land areas
 - 4. Affluence of sizable percent of empires' citizens
 - 5. Demand for travel services, lodging, food, etc.
 - 4. Greeks
 - a. Use of common language and currency
 - b. City states became attractions in themselves; shopping, sports centers
 - 7. Romans
 - a. Large middle and upper class that could afford leisure travel
 - b. Developed road systems, water systems, system of inns, and liverys
 - c. Latin as additional common language
 - d. Common legal system and protection
 - 8. These empires started the necessities that encourage travel
 - a. Affluent population with time and money to travel
 - b. Safe and easy travel
 - c. Widely accepted currencies
 - d. Widely used languages
 - e. Legal system which protects personal safety
 - D. The Middle Ages (5th to 14th centuries) and the Renaissance Era (14th to 16th centuries)
 - 5. Decline of Roman Empire ushered in era called the Middle Ages
 - a. Feudal system developed from the fragmentation of governments
 - b. Transportation and safety declined
 - c. Less acceptance of currencies and less knowledge of common languages
 - d. Some travel by crusaders to the Holy Land
 - e. Marco Polo's historic travels in late 13th century
 - 6. Development of merchant class gave rise to Renaissance Era
 - a. Kings and queens began to gather larger areas of land

- b. Increased interest in travel for commerce and pleasure
- E. The Grand Tour Era (1613 to 1785 A.D.)
 - 1. Trend of luxurious travel started by wealthy English
 - 2. Developed as status symbol and spread throughout Europe
 - 3. Goal was to experience the “civilized world” and study the arts and sciences
 - 4. These travels often lasted for several years
 - 5. Industrial Revolution (c. 1750 A.D.) changed economic and social structures
 - 6. Nations moved from agricultural to industrial economies
 - 7. Development of more efficient forms of transportation
 - 8. Growth in travel for business reasons
- F. The Mobility Era (1800 to 1944)
 - 1. Growing economic prosperity
 - 2. Increase in systems, modes, and speed of travel (roads, railroads, steamships)
 - 3. Thomas Cook developed tour packages for mass travel
 - 4. Invention of automobile and airplane expanded freedom to travel
- G. The Modern Era (1945 to present)
 - 1. Paid vacations introduced in the early 1900s made leisure travel possible for working and middle classes
 - 2. Millions were introduced to international travel during World War II
 - 3. Postwar prosperity made mass ownership of automobile possible
 - 4. Advent of jet travel shortened travel time
 - 5. Credit cards made purchasing power “mobile” and safer
 - 6. Time, money, safety, and interest in travel led to unparalleled growth of tourism
 - 7. Development of mass tourism
 - a. Organization mass tourists: Buy packaged tours and follow itinerary
 - b. Individual mass tourists: Visit popular attractions and patronize tourism services promoted through mass media
 - 8. 21st Century has seen widespread use of Internet, introduction of Euro, travel to and from previously closed countries, .e.g., China
 - 9. Problems also loom: Terrorism, fuel prices

VI. Bringing Tourism into Focus

- A. Typical reasons for travel
 - 1. Vacation and leisure trips
 - 2. Visits to friends and relatives (VFR)
 - 3. Business and professional trips
- B. Host community is affected by tourism
- C. Can study tourism from a variety of perspectives; anthropology, sociology, etc.
- D. Wide variety of questions relating to tourism need to be answered
- E. Technology having unprecedented affect on tourism industry

VII. Geography Describes the Traveler’s World

- A. Geographic knowledge is important for all tourism professionals

- B. Knowledge of geography helps to meet travelers' needs
- C. Maps
 - 1. Maps show you where you are and how to get to where you want to be
 - 2. The most accurate map of the world is a globe
 - 3. The most common representations of the globe are Mercator , *Goode's* Homolosine, Mercator, and Robinson projections
- D. Reading Maps
 - 1. Reading maps requires an understanding of basic cartography notations
 - 2. Every map has several things in common: latitude and longitude
- E. Indexes and Locators
 - 1. Specific map locations are identified through the use of two index points
 - 2. Specific points of interest may only be identified by letters or numbers
 - 3. Maps have locator information
- F. Scales
 - 1. Maps are replicas of reality
 - 2. Everything shown on a map must be proportional which requires a map scale
 - 3. Legends
 - 4. Symbols or icons are often used on maps to indicate points of interest, services, and attractions
 - 5. Legends save space and draw attention key features
- G. Physical geography: Study of natural features of region
 - 1. Landforms and Vegetation
 - a. Landforms refer to the surface features of the earth
 - b. Relief maps provide clues to the many different types of landforms
 - 2. Water
 - a. Most of the world (over 70%) is covered by water, and most of this water is salt water
 - b. Oceans, seas, gulfs, lakes, and rivers.
 - c. Water transportation was the first means of moving large numbers of people and cargoes
 - d. Water currents can have dramatic impacts on land temperatures and the amount of moisture that falls
 - 3. Climate and Seasons
 - a. Travel and tourism professionals should be able to describe general weather patterns for any location at any time of the year
 - b. Location, combined with season, will dictate long-term weather patterns
 - c. The world is divided into five basic climatic zones which are based on distance from the equator, 0° latitude
- H. Human geography: Study of a region's cultures and peoples
 - 1. Importance of language, religion, politics, and economics to travel to an area
 - 2. International travel is encouraged or discouraged by similarities and differences
- I. Regional geography: Combination of physical and human geography
 - 1. Combination often makes one region more attractive than another

2. Tourism is a regional activity, travel to area and explore that region

VIII. Studying Tourism from Business Perspectives

A. Marketing

1. Marketing Concept: Organizational philosophy centered on understanding and meeting the needs of customers
2. Production orientation and sales orientation inferior to customer orientation
3. Marketing Mix (the 4 Ps) - Product, Price, Place, and Promotion
 - a. Product is the good or service offered to consumers
 - b. Price is the value that must be given up to obtain the product
 - c. Place includes the location and activities required to make the product available to the consumer
 - d. Promotion is the activities undertaken to communicate the availability and benefits of a product
4. Market Segmentation: Process of grouping consumers into segments characterized by common traits and needs

B. Management

1. The planning, organizing, directing, and controlling of present and future actions to accomplish organizational goals
2. The common thread that holds an organization together and moves all its members in the same direction

C. Finance

1. How organizations manage revenues and expenses
2. Business is an organization operated with the objective of making profits
3. Profits are revenues in excess of expenses and used as a measure of performance
4. Not-for-profit organizations also need to track their revenues and expenses
5. Accounting is the common language of business
 - a. Used to record the financial activities of an organization.
 - b. Managers and others use accounting information to make better decisions
 - c. Accounting cycle involves analyzing, recording, classifying, summarizing, and reporting financial data
6. Three primary building blocks to measure financial success
 - a. Margin: Amount of a sales dollar remaining after operating expenses
 - b. Turnover: Number of times a dollar of assets has been used to produce a dollar of sales
 - c. Leverage: Extent to which borrowed funds are used
7. Return on Investment (ROI): A measure of the profitability of an organization

8. Tourism organizations typically face low margins, high turnovers, and need to use leverage (other people's money)
9. Need to balance financial performance with hospitality to guests

Mini-Lectures

Helping Students Understand Profitability in Hospitality and Tourism Operations

It seems like any time you start to discuss financial or profitability subjects in hospitality or tourism classes, students' eyes often glaze over. This seems to be especially true in introductory classes. The next time you begin discussing these topics try this eye-opening exercise to help students understand how difficult it is to make a profit and where all of the money goes.

You might start by asking students how many of them have ever worked in a restaurant. Then ask those who have worked in a restaurant if they ever gave a free drink or French fries to a friend? You can turn the question around and ask those who haven't worked in a restaurant, if they ever received a free drink or French fries from one of their friends working in a restaurant? When I ask these questions, I always get several raised hands. The purpose of these questions is not for discussing ethical issues, but to get students thinking about money and profitability. I'll come back to the significance of these questions from a profitability perspective later.

After this, or some other type of introduction, pull out a crisp new one dollar bill and two rolls of pennies. I like to create a little drama by breaking the rolls of pennies open and letting them spill and clatter on to a table or desk top. Now that you have every one's attention, ask another simple question such as; Does this pile of pennies equal the same amount as the dollar bill? Making some noise by mixing the pennies around and picking the dollar bill up a few times and

popping it always seems to focus attention on the demonstration.

To encourage involvement in this demonstration, ask one or a few volunteers to come up one at a time and pull out how many pennies they think a restaurant owner makes out of every dollar in sales. Be sure to put the pile of pennies back together and announce that results after each volunteer makes an estimate. From past experiences, depending on the level of the class, I have found that students will pull out anywhere from fifty cents to five cents.

Now ask, by a show of hands, how many of you have paid for a meal in a restaurant? If they are paying attention almost everyone will raise their hands and if everyone doesn't raise their hand, ask the question again. Continue by holding up the one dollar bill and explaining that this represents what the customer pays and then point to the pile of 100 pennies and explain this is how the restaurant owner will use the money to pay the bills. Use the following table to continue your discussion. You can modify the following table to suit your needs.

What Happens to a Typical Restaurant Dollar

Revenue	
Total Sales	<u>\$1.00</u>
Expenses	
Cost of Sales	\$0.00
Salaries, Wages, & Benefits	0.00
Restaurant Occupancy Costs	0.00
Other	<u>0 00</u>
Income before Taxes	<u>\$0.00</u>

What Happens to a Typical Restaurant Dollar

Revenue		
Total Sales	<u>100%</u>	<u>\$1.00</u>
Expenses		
Cost of Sales	32%	\$0.32
Salaries, Wages, & Benefits	33%	0.33
Restaurant Occupancy Costs	5%	0.05
Other	<u>26%</u>	<u>0.26</u>
Income before Taxes	<u>4%</u>	<u>\$ 0.04</u>

Ask students to place the 100 pennies into each of the categories based on their best idea of how they should be divided. We have asked both individual students and groups of students to complete this exercise. If you want multiple students or groups to participate, be sure to bring along extra rolls of pennies.

Finally after you have compared and discussed how students have divided their pennies you can use the information in the table, to show how many of the pennies actually go toward paying for the cost of food, beverages, salaries, and other operating expenses, and how few pennies remain as profits. Do this by counting out the pennies that are used to pay for each category as you discuss these categories. In the end, there will only be four lonely pennies lying all by themselves far away from the pile of ninety-six pennies.

Students are often surprised by this demonstration as they think that restaurants make a lot of money. But, the small profit margin shows that relatively few mistakes or gifts to or from a friend can cause the profits to disappear. Now, go back to that opening question about giving away or receiving “free” food or drinks and discuss the impact of these seemingly innocuous

gestures.

This demonstration is easy to modify to demonstrate the thin profit margins for all tourism service suppliers or for use in any country. We have successfully used this demonstration in England, France and Costa Rica while discussing profitability for airlines, guides, hotels, tour operators and travel agencies. Be sure to bring something with you to class to carry the loose pennies in after the demonstration.

Bringing Financial Analysis into Focus

Using the analogy of flying an airplane has proven to be a helpful tool for explaining the concept of Return on Investment (ROI) to students who are unfamiliar with or uncomfortable with financial concepts. Just like pilots must pay attention to some very basic details to keep their airplanes flying safely and on course, business managers must also focus their attention on some basic financial information to ensure efficient and effective performance.

The thought of flying may seem terrifying to the first time student, but an experienced pilot can fly any plane from a small Cessna two-seater to a Boeing 747 jumbo jet if they know how to operate their controls – the stick, the rudder pedals and the throttle. These controls allow the pilot to remain on heading, at the right altitude and at the right air speed. By focusing on these three simple control points they can reach their destinations safely and as scheduled.

Managers can accomplish the same goals of achieving planned performance with the use of three financial measures; profit margin, asset turnover and ROI which is a measure of earning power. Stated another way, ROI is a measure of how well a business is performing financially in relation to how wisely investments in assets are being used to generate sales dollars. This relationship can be seen in the following formula.

$$\begin{array}{ccccc}
 \text{PROFIT} & & \text{ASSET} & & \text{ROI} \\
 \text{MARGIN} & \times & \text{TURNOVER} & = & \text{(EARNING POWER)} \\
 \\
 \frac{\text{Net Operating Income}}{\text{Sales}} & \times & \frac{\text{Sales}}{\text{Average Operating Assets}} & = & \frac{\text{Net Operating Income}}{\text{Average Operating Assets}}
 \end{array}$$

Profit margin measures the amount of each sales dollar remaining after the operating expenses needed to achieve these sales have been deducted. The lower the operating expenses, the higher net operating income and profit margin.

Asset turnover, or simply turnover, is a measure of how many sales dollars each dollar of assets produces. Turnover measures a business' control over investments in operating assets.

Operating assets are those investments that have been made in the business. The lower the investment in operating assets for a given level of sales, the higher the turnover will be.

Using this information, the return on investment or earning power of the business can be improved in several ways. ROI can be increased by:

- increasing sales at a faster rate than the corresponding expenses increase
- increasing sales while maintaining expenses at the same level
- decreasing expenses by a greater percentage than the percentage decrease in sales,
- decreasing expenses while maintaining the same level of sales,
- decreasing the operating assets used without changing the sales or operating expenses, or
- increasing the sales generated without increasing the investment in operating assets.

By keeping your discussion of financial topics at a simple level, students will begin to become familiar with the concepts and how they fit together.

IX. Tourism's Challenges and Opportunities

- A. Tourism is often an attractive form of economic development
 - 7. Creates wide variety of jobs
 - 8. Brings money into a community or country
- B. Can create greater cultural understanding
- C. Can also change social structures and strain natural and man-made resources
- D. Unanswered questions relating to the expansion and future of tourism
- E. Ethics and industry codes of ethics help guide individuals when making decisions

(Teaching Hint. Divide class into two groups, one highlighting the opportunities provided by tourism development and the other highlighting challenges created by tourism development. Have each group produce a list. After about 10 to 15 minutes, have the groups share these lists and then discuss. This works well as an open class discussion or for small groups. In large sections we pair up groups that have been discussing each side of the argument.)

X. Where Do You Fit In?

- A. Wealth of career opportunities in tourism
- B. Tourism will remain the world's largest "industry" with highest job growth rate

XI. Topics Covered in each Chapter

- A. Part 1: The Traveling Public and Tourism Promoters
 - 1. Chapter 2: Devoted to the traveling public and travel needs
 - 2. Chapter 3: Explores concept of quality and importance in tourism services
 - 3. Chapter 4: Activities by tourism promoters in fulfilling needs
 - 4. Chapter 5: Capturing Technology's Competitive Advantages
- B. Part 2: Tourism Service Suppliers

1. Chapter 6: Transportation
 2. Chapter 7: Accommodations
 3. Chapter 8: Food and Beverage
 4. Chapter 9: Attractions and Entertainment
 5. Chapter 10: Destinations
 - C. Part 3: The Hospitality Environment
 1. Chapter 11: Economic and Political Impacts of Tourism
 2. Chapter 12: Environmental and Social/Cultural Impacts of Tourism
 3. Chapter 13: Sustaining Tourism's Benefits
 4. Chapter 14: Exploring the Future of Tourism
 - D. Integrated cases at the end of each part
- XII. Summary