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Abstract

The purpose of this study is to shed light on the disaster management strategies of tour operators and to analyse their responses to crisis situations. Since tour operators' crisis management documents are considered confidential (as is also the case with some other companies), direct research into these documents was not possible. However, by analysing the problems that tour operators have had in the recent past with safety and security issues, certain aspects and factors of the general behaviour of tour operators in such situations have come to light. By consulting the literature on crisis management in general, a strategic management framework for tour operating companies can be proposed.

Introduction

In the last few years tourism has probably been confronted with more serious crises than in its whole history. All these crises affecting tourism have unfortunately given very clear proof that the economic impact of tourism goes far beyond the traditional notions of airlines, hotels, tour operators and rent-a-car agencies and that it reaches deep into the world's economic development. "When the front line of travel and tourism is hit by a fall in travel and tourism demand, our entire economy suffers" (Baumgarten, 2004).

Academics and practitioners nowadays usually refer to tourism as an industry. This is mostly due to the significant economic impact that tourism has on the national economy not only of tourism receiving, but also on tourism generating countries. According to the World Travel and Tourism Council (WTTC) forecasts, tourism demand, encompassing all components of travel and tourism consumption, investment, government spending and exports worldwide, will come to a total of US$ 5.5 trillion in 2004. The direct contribution of travel and tourism to the world economy is put at 3.8 percent of total GDP, but its combined direct and indirect impact on the economy is estimated at over 10 percent.

The main representatives of the tourism industry can be divided into two different sectors of tourism: one which is based on generating markets and the other which is destination oriented (Keller 2001). The first sector is dominated by leisure travel concerns that consist of tour operators, charter airline companies, retail travel agency chains, incoming travel agencies in tourism destinations, etc. These giant concerns are multinational corporations (MNCs) operating on the main tourism generating markets that control the market of organised travel. The second sector in tourism is based on small and medium enterprises (SMEs) in tourism receiving countries (see more in Èavlek, 2002b, 2000, 1998). Although SMEs hire almost 90 percent of the workforce, they generate only about 10 percent of the GDP (Scheel, 1995:476) in tourism developing countries. Such a constellation of power on the tourism market allows MNCs to dictate their business terms to their business partners in tourism receiving countries, and not vice versa. These MNCs have become one of the most important parts of the modern tourism system and create a leisure travel value chain which can provide customers with distribution, tour operation, accommodation, insurance, entertainment, etc., from a single source (Èavlek, 2002b:46). According to World Tourism Organisation (WTO) estimates, tour operators organise holidays abroad for more than 25 percent of all international tourist arrivals in the world. Therefore, tour operators play a key role in the tourism development of many destinations around the world, and they influence the movement of tourism demand from the most significant generating markets towards receiving tourism destinations. The tour operating business has become a multi-billion dollar industry, but since this is a very low net profit business, it is also a very fragile industry.

Crises in the Tour Operating Business

Crises can occur in many different forms, such as natural disasters (earthquakes, floods, outbreaks of epidemic disease, fire, volcanic eruptions, hurricanes, etc.) or human-caused disasters and catastrophes (wars, riots, civil unrest, terrorism, political instability, violence of any kind, crime, nuclear pollution, nuclear tests, oil spills, etc). Although Faulkner (2001) makes a clear distinction between a disaster and a crisis depending on the scale and origin, in the context of this paper the term crisis will be used in its widest sense since crises and disasters share many features. It is also the case that sometimes crises evolve into disasters for organisations. In both cases, companies have to respond by taking exceptional measures.

Although crises have become an integral part of any business activity, and although no company can exclude the possibility of crises occurring, the crises that involve companies in the sector of international travel and tourism also differ from other sectors in terms of the greater negative effects that the crises have on them, and in terms of the priority which should be given to crisis management compared to companies in any other business activity. Indeed, R. Leaf once stressed, "There is probably no industry in the world where a crisis can have a greater effect than on tourism." However, one could say that many types of safety risks co-exist in everyone's daily lives, and tourism is no exception. Still, "an important difference exists: people are rarely in a position to change their place of living, but nothing can force them to spend a holiday in a place that they perceive as insecure" (Èavlek, 2002:479). This is so since "tourism demand presents a higher elasticity index per level of perceived risk than any other industry because of the hedonistic ... benefits consumers assemble in its products and services" (Falkner, 2001:142).

Although there is a significant increase in different types of crisis that affect tourism in different parts of the world, and although there is a growing number of case studies with examples of crisis management strategies (Barton, 1994; Èavlek, 2002; Drabek 1994; 1995; Ioannides and Apostolopoulos, 1999, Masfeld, 1999; Pizam and Mansfeld 1996; Radniæ and Ivandiæ , 1999; Santana, 1999; Sonmez, Apostolopoulos and Tarlow, 1999; Steene 1999), crisis management and emergency planning specifically for tourism have only lately become an area of research and have therefore not been widely discussed and theoretically developed (Faulkner, 2001; Blake and Sinclair, 2003; Ritchie, 2003; Glaesser, 2003).

As rightly pointed out by Booth (1993) and Faulkner (2001), management theory in the past did not provide a firm foundation for coping with change and crisis. Although there is increasing research on crises in tourism, there are very few analyses on the impacts of crises on a specific organisation. Therefore, the purpose of this study is to shed light on the crisis management strategies of tour operators and to analyse their responses to crisis situations. Since tour operators' crisis management documents are considered confidential (as is also the case with some other companies), direct research on these documents was not possible. However, by analysing the problems that tour operators have had in the recent past with different types of

crisis, certain aspects and factors of the general behaviour of tour operators in such situations have come to light.

Unfortunately, crises in tourism can involve accidents in which clients could become victims (accidents in transport, fire accidents in accommodation facilities, food poisoning, kidnapping, terrorist attacks with tourists as the main targets, etc.). Tour operating companies are particularly sensitive to safety and security issues, since tour operators are directly responsible for the safety of their clients. Therefore, tour operators in such cases have to react as quickly and efficiently as possible to diminish the risk that can heavily affect their business (Èavlek, 2003:37). Even if it means re-routing planes already in the air, tour operators will do so. This was the case of Thomas Cook clients already flying to Colombo when the news reached Thomas Cook's office in Germany that a bomb had exploded at the airport in Colombo. The tour operator decided to re-route the airborne plane and arranged a landing in the Maldives and the continuation of the holidays on this island. This proves the existence of a crisis management plan that the company had developed, since it clearly showed the smooth coordination of actions in a very limited time range among different levels of management, in different locations (in the destination and in the country of origin, as well as the coordination of action with different government organisations). To be able to execute the mentioned operation, the most critical part is to know what to do with the information. Many other examples from tour operating practice prove Falkner's (2001:143) statement that through the development of a crisis management strategy many potential crises can either be totally avoided or at least their impacts can be minimised through prompt responses facilitated by the plan.

In the tour operating business the possibility of crises occurring are very high compared to some other business activities since a tour operator deals with many different companies that deliver the service for which the whole responsibility towards clients rests on the tour operator's shoulders (transport, accommodation, entertainment, etc.). It means that according to the EC Directives on Package Holidays, Package Travel and Package Tours (Perez and East, 1991) tour operators are responsible not only for the non-performance or improper performance of services incorporated in the package, but also for the physical injury of their clients if this could be in any way linked to negligence due to them, or even to any of their service providers. They cannot avoid responsibility by attributing it to their sub-contractors. They can be relieved of such

liabilities only if they result from via major or in any case where the damage or accident cannot be linked to the tour operator, or to any of its service providers. No wonder therefore that tour operators usually assess clients' safety even more critically than an individual would. The whole complexity of the problem becomes even more obvious if we bear in mind that the service providers whose services the tour operator incorporates into a package are mostly located in different destinations abroad, with different levels of control. For this reason, tour operators constantly tighten requirements regarding the safety of their clients with the service providers. Accordingly, the International Federation of Tour Operators (IFTO), through its Quality Audit Office, carries out a survey, on demand from its members, on the safety of the accommodation of tourists in the countries to which the tour operators send their clients. The objective of the study is to establish the safety risks of the accommodation facility, as a constituent part of the inclusive tours organised by the tour operators, separately for each country and each facility. The demands, which the accommodation facilities must satisfy for foreign tour operators, comprise a large range of obligations, including:

- A valid certificate that it satisfies fire-safety regulations
- Special regulations regarding the safety of gas installations
- Regulations regarding hygiene
- General safety requirements (for swimming pools, for play areas, balconies, glass doors, etc).

These regulations greatly help tour operators to improve standards in the properties they use. The best proof of this is the record among the British FTO which shows that going on a package holiday is extremely safe. According to FTO data, in the last 4 years not one person amongst the 50 million who went on holiday with FTO members lost their life in a fire accident (FTO, 2004). Furthermore, FTO published a comprehensive Health, Safety and Hygiene Preferred Code of Practice Book, designed to help tour operators to improve standards in this particular field. The same body also formed crisis management teams which help members to deal with crises. The Association of British Travel Agents (ABTA) organises seminars and workshops to prepare its members for more effective crisis management in the future.

In addition, one has to remember that safety and security are inextricably connected to issues of international law and political relationships, and therefore have a "ripple" effect that goes far

beyond the destinations and companies directly hit by crises (Drabek, 2000:352). Therefore, the tour operators' strategy can sometimes in some ways be restricted by government regulations and public perceptions often created by media. The problem of sudden disruptions caused by different types of crisis in a destination is all the more serious when a tour operator is vertically integrated with an owned hotel company, as is the case with the leading leisure travel concerns like TUI, Thomas Cook, My Travel, etc. However, safety and security risks that result from political concerns, natural disasters, food contaminations, nuclear pollution, fire and similar crises are not the only risks that tour operators face. A crisis for a tour operator can also be the result of economic factors, like sudden currency fluctuations, the implementation of tourist taxes (the case of eco taxes in Majorca), mistakes made in forecasting tourism demand, capacity planning and pricing. As already stated, the tour operating business is one of the riskiest industries, not only because it is highly dependent on economic movements on the respective markets and is affected by safety and security risks of every kind, but, above all, it is a very low-net-profit business that faces considerable risks that other industries with higher margins do not face. Industrial records show that the average tour operator's return on turnover in a good year is one to three percent. Compared with other non-travel companies which supply customer products, this percentage is between 10-12 percent (FTO, 2004). Since tour operators have to finalise the prices of inclusive tours some six to eight months before their tour operation begins, the risks in projecting tourism demand, capacity planning and pricing are very high. Just slight fluctuations in the value of currency, or the loss of popularity of a country where a tour operator has large commitments to hoteliers, can easily wipe away a tour operator's profit or even create a loss. Therefore, knowledge management in this particular business is of crucial importance. Well educated, highly professional and skilled employees that can efficiently conduct business in a highly competitive and dynamically changing market have therefore become a condition sine qua non for every tour operator.

Framework of Crisis Management Strategies for Tour Operators

Crises require organisations to make decisions and take action under intense time pressure, and, according to Burnett (1998), this is precisely what differentiates crisis management from normal strategic management. The same applies to strategic options that have to be evaluated and chosen quickly so that the organisation can gain better control of the situation (Heath, 1998). Risks have

become challenges to tour operating companies - those who can more quickly and more successfully adjust an essentially inelastic offer to continual fluctuations in demand have better chances of survival in a very competitive market. "Good management can avoid crises to some degree, but must equally incorporate strategies for coping with the unexpected event over which the organisation has little control" (Falkner, 2001:137). Kash and Darling (1998) believe that although crisis management is a requirement for any organisation, and although business leaders recognise this, many do not undertake productive steps to address crisis situations.

Just a decade ago many companies did not have even general written instructions or procedures to effectively deal with various crises. They did not want to invest in something they considered they might never need. However, recent developments with different types of crises have raised companies' awareness of their vulnerability and therefore many more companies nowadays have written crisis management documents. Flight companies are no longer the exception. Most large tour operators have by now developed crisis management strategies that comprise many different scenarios (not only terrorist attacks, but also plane, train or bus accidents, different epidemic diseases, kidnapping, natural disasters, as well as individual accidents which the media could develop into catastrophes for tour operators). Unfortunately, many small and medium sized tour operators have not developed any crisis management documents.

Almost all articles dealing with crisis management strategies stress the need for a precise communication strategy with the media. "The role of the media in crisis management strategies can be crucial to such an extent that it might make the difference between whether or not a different situation evolves into disaster" (Falkner, 2001:141). Since the media like to "bombard" readers and viewers with news during the time of crises, and since people find negative reports far more interesting than positive ones, tourism companies have to make use of media interest in the crisis to broadcast positive facts (the cases related to PATA and SARS can serve as an example of past practice in crisis management). Therefore, public relations come high on the priority list for tour operators.

By consulting literature on crisis management in general, a strategic management framework for tour operating companies can be proposed (Fig.1). The best strategy for tour operators will be the one that reduces to a minimum the risk for a company, and which considers the relevance of

time, since wasting time can be fatal in this very risky business. However, this is easier said than done. From the past behaviour of tour operators in times of crisis, it can be concluded that their management strategy will depend on several key factors:

- Type of crisis
- Dimensions/magnitude of crisis
- Predicted duration of crisis
- Perceived level of damage caused by crisis
- Stakeholder response to strategies (Ritchie, 2003)
- Government regulations
- Public perceptions[1].

What have tour operators learned from past crises? At least they have learned how clients react to different types of crisis. Most clients will not refrain from travelling on holiday due to certain crises, since holidays have become essential in our lives. One survey has confirmed that the British are twelve times more likely to get excited about going on holiday than getting a new job. Similarly, holidays to Germans are as sacred as the Holy Mass to Catholics (Poon, 2002). Therefore, in most cases clients will just try to avoid regions affected by a crisis. Therefore, the first task of tour operators is to restore customers' confidence in travelling by cancelling travel to any destination affected by a crisis and by offering alternative bookings. Tour operators will also opt for destinations closer to home and within their geographic region, and at the same time will reduce the share of long-haul packages in their programme since clients at the time of a crisis prefer to stay closer to home. In such cases, tour operators try to "fish" for the best tourism destination deals in order to tempt clients with special offers and extremely favourable "value for money" packages; they do not favour weak destinations, i.e., those that are not financially interesting for them, or are over-priced, or have an old holiday product, etc; they try to use all their resources to "push" destinations in which they have their main interests (Èavlek, 2003: 42).

As rightly stressed by Ritchie (2003), "at all the stages of the strategic management process there needs to be flexibility, evaluation and potential modification to strategy development and implementation" depending on all the factors mentioned above. However, it is highly important

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[1] Modified according to FVW- International (2002)

for there to be a very strong partnership and coordinated work among the government, national tourism organisations, tour operators, travel agencies, and local hospitality official in the destinations. For every company in tourism, and therefore for tour operators too, "successful crisis management actually depends on constant education - not only internal education, as practised by tourism companies that have experienced a crisis, but even more, long-term educational activities" extended to other levels in addition to university education (Èavlek, 2002a: 489).

Conclusion

Crisis management in the tour operating business has not been widely discussed among tourism theoreticians since most tour operators have not paid much attention to this particular problem. However, the recent development of many crises that have heavily affected tour operating companies has changed attitudes, at least among the biggest leisure travel concerns. Therefore, most large tour operators have by now developed crisis management theories that comprise many different scenarios depending on the types of crisis. Still, direct research of crisis management documents for the purpose of this study was not possible since tour operators consider these documents as confidential. Consequently, the research into the problem was carried out by consulting relevant literature on crisis management in general and by analysing the past behaviour of tour operators in different types of crises. The strategies that tour operators use in times of crisis greatly depend on the types of crisis, the magnitude of the crisis, its predicted duration, government regulations, public perceptions, as well as on the perceived level of damage caused by the crisis and the stakeholder response to a particular strategy. However, for every tour operating company managing a crisis, the following points are crucial:

- to have the relevant information and to handle it without wasting time
- to have a crisis management team made up of parties directly and indirectly involved in the crisis
- to coordinate necessary activities between tourism generating and tourism receiving markets without problems of hierarchy in the decision making process
- to deal professionally with the media
- to take care of the constant education of staff regarding crisis management.

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