

# Sustainable Tourism – Business Operations



Sustainable  
Tourism **Online**

[www.sustainabletourisonline.com](http://www.sustainabletourisonline.com)

TABLE OF CONTENTS

- INTRODUCTION..... 3**
  
- PLANNING..... 4**
  - BUSINESS AND STRATEGIC PLANNING ..... 5
  - INVESTMENT AND FINANCING ..... 11
  - REGULATORY COMPLIANCE ..... 12
  
- PRODUCT DEVELOPMENT..... 13**
  - 3.1 PRODUCT AND EXPERIENCES DEVELOPMENT ..... 14
  - CERTIFICATION AND ACCREDITATION ..... 20
  
- MARKETING ..... 21**
  - MARKET RESEARCH AND PLANNING ..... 21
  - PROMOTION AND ADVERTISING ..... 22
  - SALES AND DISTRIBUTION ..... 23
  - LEVERAGE MARKETING..... 24
  
- BUSINESS OPERATION AND DEVELOPMENT..... 25**
  - INNOVATION AND TECHNOLOGY ..... 26
  - SUSTAINABLE PRACTICE ..... 27
  - HUMAN RESOURCE MANAGEMENT ..... 28
  - PROFESSIONAL DEVELOPMENT ..... 29
  - RISK MANAGEMENT ..... 29
  
- MONITORING AND EVALUATION..... 30**
  - PERFORMANCE MEASUREMENT AND MONITORING ..... 31
  - SUSTAINABILITY BENCHMARKING..... 32
  - CORPORATE SOCIAL RESPONSIBILITY ..... 32

# Introduction

Tourism is regarded as one of the top five employers world-wide, supporting a broad scope of tourism businesses and service providers across a number of industry sectors. In Australia, more than 90% of tourism businesses are small to medium enterprises (SMTEs); that is they have less than 100 staff. Tourism businesses, no matter what size, face a wide range of challenges in developing, operating, managing and growing their business in what is a highly competitive, rapidly changing and volatile environment.

Research undertaken by APEC in 2004 showed that the following factors are significant inhibitors to tourism business operation and development:

- A lack of trained and professional workforce
- A lack of entrepreneurial skills among operators
- Low entry barriers – impacting on service quality, growth and business viability
- Lending arrangement and taxation regimes not conducive to SMTEs
- Conforming to (and supporting) sustainable regional infrastructure requirements
- Inconsistent bureaucratic local authorities
- A lack of government recognition of the value of tourism
- A failure to recognise the potential benefits of industry clusters and collaboration
- Industry fragmentation and a proliferation of membership organisations
- A lack of technology and eCommerce skills
- Relatively poor eReadiness and eCommerce uptake
- Scattered, poorly-integrated and difficult to locate business research information

The Sustainable Tourism Cooperative Research Centre (STCRC) has invested over \$260 million into sustainable tourism research over the last 12 years. One of the key themes of this research was to understand the factors that influence the 'success' of tourism businesses and to identify strategies for tourism businesses to address industry challenges and develop sustainable operations.

## How to use Sustainable Tourism Online

Sustainable Tourism Online provides information and resources to assist tourism businesses in taking a sustainable approach to tourism. Drawing on the extensive research of the STCRC and other international partners, this section on Business Operations is presented in five modules:

- Planning;
- Product Development;
- Marketing;
- Business Operation and Development; and
- Monitoring and Performance

Within each section you will find a summary of the research to date, specific research and resources on subject areas relating to sustainable business operation and links to case studies, reports and tools. These resources are provided to assist:

- Tourism Businesses;
- Tourism Professional Support providers;

- Destination Management Organisations and other agencies supporting business development;
- Academics, Researchers and Students; and
- Media Agencies

Please use the links and search functions to navigate through the Business Operations content and resources. You can also download a 'Site-Map' to view the structure of the topics and content in this section, as well as a downloadable PDF version of the entire 'Business Operations Guide'.

## Planning

Good business planning is essential for the development and growth of any tourism business. Business planning and management is an area that has been the focus of extensive research across all industries including tourism. In Australia, the Federal Government has committed over \$500 million to support small businesses, including tourism businesses. A 2010 publication from the Department of Resources, Energy and Tourism, in collaboration with the Department of Innovation, Industry, Science and Research, called 'Supporting Small Tourism Businesses', provides a range of information and resources for tourism industry operators on business planning, marketing, legal obligations, financing, staffing and sustainability. Regional and State Tourism organisations have also invested in developing tools and resources to assist tourism business development and growth. Tourism Victoria's Tourism Excellence Module identifies the 7 key steps in successful business planning and management:

- Identify your strengths, weaknesses, opportunities & threats
- Determine the critical success factors of your business
- Develop a long term vision for the business
- Translate your vision and critical success factors into key objectives
- Develop the strategies, tactics and actions to achieve the objectives
- Install a system to monitor and measure performance
- Review, revise and improve your performance

The Sustainable Tourism Cooperative Research Centre has also developed tools and research that can support industry operators in the planning process. This section provides information for tourism businesses on the planning phase of business development including business planning, investment, financing and regulatory compliance. A range of tools and best practice case studies are also provided throughout.

### Business Operation Tip

Overcoming seasonality of demand within a business and a region is a key challenge for tourism businesses in terms of staffing, cash flow and managing costs.

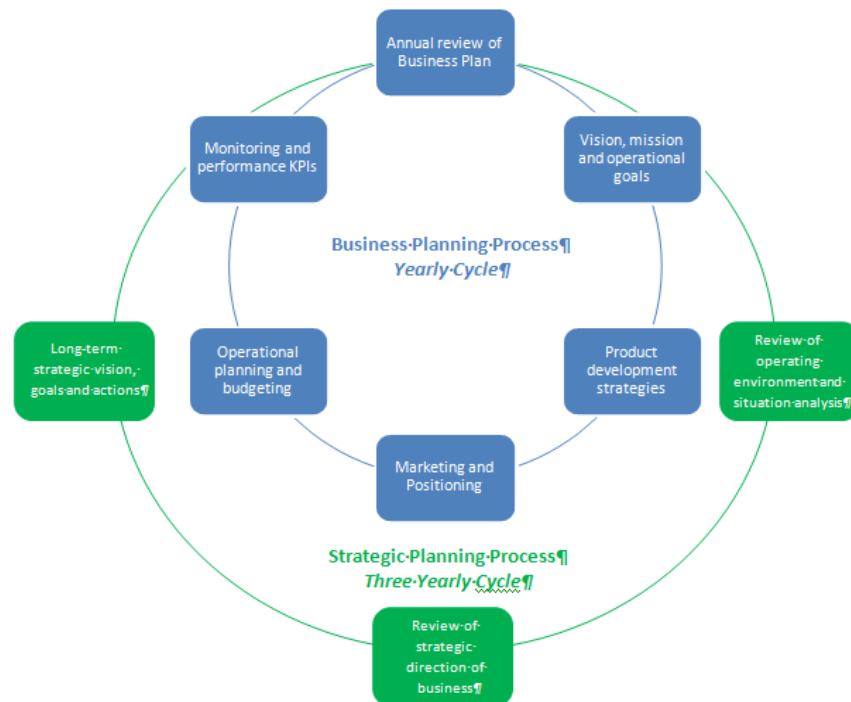
## Business and Strategic Planning

Business and strategic planning is an essential component in the success of any business, no matter what size or industry. Tourism businesses need to be able to effectively plan and respond to changing conditions over time, to compete in this increasingly complex and competitive market. Research conducted by the Sustainable Tourism Cooperative Research Centre (STCRC) has shown that a lack of effective business planning is one of the most pressing needs of small to medium size tourism businesses (SMTEs) today.

The tourism sector is primarily a service industry where the customer comes to the product, rather than the other way around. This creates unique challenges for tourism businesses. Research has highlighted some of these challenges which tourism businesses need to address in their planning processes:

- Seasonality of demand including low, high and shoulder seasons and even weekly fluctuations in visitation;
- Understanding visitor market characteristics and demand;
- Understanding external trends and influences that can impact on a business;
- Sourcing a trained and professional workforce;
- Lending arrangements and taxation regimes which are not always conducive to SMTEs;
- A lack of government understanding and/or recognition of the value of tourism in some areas;
- A failure to recognise the potential benefits of industry clusters and collaboration;
- Industry fragmentation and a proliferation of membership organisations;
- Scattered and difficult to locate business research information
- Planning for risks and crises
- Single use nature of assets such as accommodation facilities have limited alternative uses; and
- High capital intensity and ongoing fixed costs to operate the business and continue to meet market demand.

Business and strategic planning are not a one-off process, they are cyclical in nature and regular review and monitoring needs to be undertaken. Business planning should be undertaken on an annual basis while a strategic review of the business should be undertaken at least every three years.



The following sections provide further detail on the key steps in business planning – undertaking a situation analysis, developing strategic planning documents and aligning business planning with destination planning.

### Situation Analysis

The business environment is constantly evolving, regardless of the business' stage of development. A situation analysis involves examining the environment in which a tourism business operates to identify key factors that will influence how the business is developed, marketed and managed over time as part of the strategic planning process. The situation analysis should underpin and inform all phases of business planning and operation.

A situation analysis should include analysis of both the internal and external environment.

Research indicates that a comprehensive analysis might include:

- Analysis of the internal operating environment and resource capacity of the business including financial and human capital, products and experiences audit, infrastructure and services, strengths and weaknesses and business structure;
- Analysis of the external operating environment including key trends and influences in market, the statutory and planning environment, threats and opportunities and

#### Business Operation Tip

Social trend analysis and forecasts are one of the best ways for businesses to identify future market opportunities and stay ahead of competitors in the industry.

competition. A SWOT analysis can assist in analysing both the internal and external environment.

- Identification and analysis of current visitor markets; as demonstrated in the 'customer auditing' approach featured in Tourism Victoria's Excellence Module to identify consumer needs and demands. Tourism Australia and all of the Australian State Tourism Organisations are a good source of guidance for identifying visitor market needs.
- Reviewing existing market research sources to understand visitor characteristics, behaviours and preferences and identify preferred future target markets,
- Forecasting of future visitation based on market trends to understand both the overall volume and the future mix of visitors;
- While current industry and market trends can provide useful insights, social and economic trend analysis and forecasting is one of the best ways for businesses to identify future market opportunities ahead of competitors. Social trend forecasting is available through a number of specialist research organisations such as IBISWorld;
- Undertaking a product and experiences analysis matched with the visitor demand analysis to identify key gaps and opportunities in the business' product offering, as demonstrated by Victoria's Chocolate Gannets which responded to the visitor demand for luxury accommodation along the Great Ocean Road;
- Review of the goals and values of the business;
- Review of lessons learned from other similar businesses on pitfalls, successes and future opportunities.

The Sustainable Tourism Cooperative Research Centre has an extensive body of research into understanding consumer choice and behaviours and the impact on identifying appropriate visitor markets.

## *Business Plan*

Clear articulation of the strategic direction and actions for the development, marketing and management of a tourism business is essential for long-term sustainability. The development of a Business Plan should be informed by the findings of the 'Situation Analysis' phase of planning to ensure that all existing knowledge is considered and incorporated into the strategic direction of the business.

An effective Business Plan should:

- Identify a long-term vision, mission and goals for the business in order to provide a common direction for development and operation;
- Include a SWOT and product analysis of the business based on the findings of the Situation Analysis;
- Identify the unique selling point or competitive advantage of the business and its products / services, as demonstrated by Southgate in Melbourne that developed a unique point of difference through careful planning and strategic communication with target markets;
- Identify the current and future target markets of the business, including a market demand assessment;

### **Business Operation Tip**

A Business Plan should identify key performance indicators and goals that measure the success of those elements that a business manager has control over eg. profitability

- Identify the strategic direction for the businesses including prioritisation of actions and strategies;
- Identify responsibilities and timelines for the implementation of the Business Plan actions;
- Include a financial analysis and forecast budgeting for business operations and identification of funding sources;
- Identify key performance indicators (KPIs) that are aligned with the goals and vision of the business and that are directly linked to the outcomes of the strategic plans and those elements of the business that a business manager has control over; as demonstrated in the Bussleton Jetty Business Plan which identifies key performance areas and indicators for their business operation;
- Provide a planning review framework to regularly monitor and review the success of the strategic plans against the KPIs, as demonstrated by the Greenhouse backpackers in Melbourne;
- Include advice and input from a range of industry and planning experts;
- Include a business exit strategy that is based on the business owners long-term goals.

Business mentoring and support from Regional and State Tourism Organisations can assist small and medium tourism businesses in strategic business planning. The Tourism Victoria Excellence Module on 'Business Excellence' provides extensive information and tools on strategic planning for tourism businesses including case studies of best practice organisations.

## *Marketing Plan*

Successful marketing can influence a potential customer's planning process, product choice and also encourage word-of-mouth referrals. A Strategic Marketing Plan is a business planning document that identifies the marketing activities and strategies to successfully attract customers and influence product choice. The development of a Marketing Plan should be informed by the findings of the 'Situation Analysis' phase of planning to ensure that all existing market knowledge is considered and incorporated.

### **Business Operation Tip**

A Marketing Plan should identify marketing strategies that provide cost-effective promotion techniques to achieve market cut-through and avoid impacting heavily on the business' profit margin eg. Cooperative marketing, media and PR.

An effective Marketing Plan should be developed from the customer's perspective and include:

- Identification of the current and desired target markets for the business;
- Identification of the visitor markets' information-searching and decision-making process and factors that influence destination choice and product selection;
- Identification of trends and influences that may impact on the target markets of a destination in their travel preferences and choices;
- Identify the marketing proposition and brand for the business that is aligned with the overall destination brand, as demonstrated by Queensland's Capricorn Caves and their alignment with Central Queensland's Dig the Tropics geotourism positioning;

- Identifying marketing strategies and techniques that are aligned with the business' target market segments, vision and values and that are cost-effective for the business to implement;
- Identify strategies to incorporate e-marketing and use of ICT technologies for the promotion and sales of products;
- Identify clear timelines and responsibilities for actions identified in the plan;
- Include a marketing budget and identification of funding sources;
- Identify key performance indicators to monitor and review the implementation of the plan and individual marketing campaigns;
- Link to the local, regional and state marketing plans to ensure consistency in the marketing messages being presented to the consumer;
- Identifying partnership and funding opportunities including cooperative marketing programs with industry, local, regional and state tourism organisations is important in ensuring that tourism's share of voice in the marketplace is strong. This is demonstrated by the Great Ocean Road's approach to cooperative marketing, industry participation and alignment with destination marketing programs.

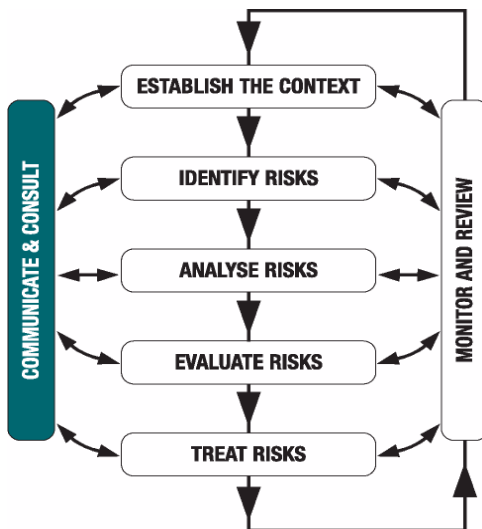
Please see the section on 'Marketing' for further information on the implementation of sales, distribution and promotions strategies for tourism businesses.

### *Risk Management Plan*

Tourism businesses operate in a rapidly changing environment in which unforeseen risks and crises can significantly impact on profitability. Risks to tourism businesses can be as simple as customer cancellations through to a major natural disaster, all which can affect the business' bottom line and long-term sustainability. A Risk Management Plan outlines the framework and processes for identifying and responding to risks and crises that may impact on a business. One of the landmark reports by the APEC International Centre for Sustainable Tourism in collaboration with the Sustainable Tourism Cooperative Research Centre (STCRC), produced a comprehensive risk management guide for managing crises in tourism. The 'Tourism Risk Management Guide' provides a framework for tourism businesses undertaking a tourism risk management process and developing a Risk Management Plan:

#### **Business Operation Tip**

A Risk Management Plan should include adequate crisis management strategies for the prevention and preparedness prior to a crisis and response and recovery following a crisis.



**Source: Tourism Risk Management; An Authoritative Guide to Managing Crises in Tourism, APEC International Centre for Sustainable Tourism, 2006**

A crisis can have a significant affect on a tourism business whether it directly impacts on the business or occurs within the same region, state or country. For this reason it is important that businesses are aware of the risks and crisis management processes for their own region, state and country. This will assist in effective communication of response and recovery actions when a crisis occurs.

### *Alignment with Destination Planning*

The Sustainable Tourism Cooperative Research Centre (STCRC) has an extensive body of research into understanding consumer choice and behaviours. This research has shown that visitors commonly select a holiday destination not based on a particular product but rather on the range of experiences, products and services offered by a destination, region or country. It is therefore important that a business understands the marketing proposition and experience offer of their own region or destination to ensure consistency and also identify ways to promote their business as a key experience within the destination. To maximise exposure to target markets and desirability to visitor markets, a business' strategic planning process should:

#### **Business Operation Tip**

Understanding the tourism network in which a business operates will assist in identifying partnerships, alliances and cooperative marketing opportunities.

- Align with one of the core target markets of the destination based on the markets needs and expectations;

- Deliver a product / experience that is aligned with the visitor perceptions of the destination, as demonstrated by the Australian Wine Tour Co that identified the demand for food and wine day tours through the Yarra Valley;
- Deliver a service level that is aligned with the visitor's expectations of the destination;
- Align with the destination's brand and the marketing messages presented to the visitor markets of the destination; and
- Align with the risk and crisis management strategies of the region or destination.

Understanding the tourism network in which a business operates is also important in identifying partnership opportunities, strategic alliances and cooperative marketing opportunities with other industry stakeholders. One of the landmark reports produced by the STCRC analysed the structure of the tourism sector in several regions across Australia. The report, 'The Network Structure of Tourism Operators in Three Regions of Australia', provides methodologies for assessing the relationships between tourism organisations in a destination and how these relationships influence destination structure, information exchange and collaborative management.

For further information on tourism planning, development and management at a destination level please visit the 'Sustainable Destinations and Communities' section of the portal.

## Investment and Financing

The ability of businesses to source and secure adequate funding and investment is essential to the long-term sustainability of a business in implementing their strategic direction. Businesses require investment in new developments, redevelopment and refreshment of tourism products, services and facilities to ensure that a destination and individual businesses can maintain and enhance market appeal and provide exceptional tourism experiences. Investment in tourism can be generated either from investment by existing business owners into expanding / developing their operations, from new investors (including external funding and loans) or from grant funding programs.

Whether it is investment by existing businesses or new investors, investment decisions need a strong business case to ensure investor confidence. Investment and financing research has shown that:

### Business Operation Tip

A clearly demonstrated return on investment is essential in attracting appropriate investment or finance for a business opportunity.

- There are a wide range of investment and funding models that can be adopted by a business. Identifying the right model for a business depends on the business's stage of development, financing needs and the characteristics investment opportunity.
- Attracting investment or finance needs to be based on a clearly demonstrated positive return on investment (ROI) forecast based on visitor market research, projected market growth and supply / demand comparisons.
- Third party consultants can assist businesses with identifying an appropriate funding model and undertaking pre-feasibility and ROI assessments for business

opportunities. For more information on assessing the feasibility of a tourism project, please visit the section on 'Product Development'.

- Strong community and industry support for potential investment opportunities should be sought before promoting ideas to the investment community;
- Investors may choose a particular opportunity based on visitor demand, destination image and branding, stakeholder support for tourism, planning and regulatory environment and supporting infrastructure within and close to the destination when developing a project concept.
- Business loans are also an option to source the required funds for tourism development. The Australian Government has developed a 'Business Loan Finder' to assist small businesses compare business loans and identify credit options;
- Regional, State and National funding and grant initiatives offered for individual tourism businesses can be an alternative source of finance for a business eg. the Australian Government's TQUAL program. As part of the actions arising from the 'National Long-Term Tourism Strategy' in Australia, the Investment and Regulatory Reform Working Group have documented the funding and investment assistance programs available in Australia for tourism development.

## Regulatory Compliance

Tourism is a complex sector that incorporates a wide range of industries. This means that the regulatory and planning environment in which a tourism business operates can be very confusing for operators of all sizes. Research by the Sustainable Tourism Cooperative Research Centre (STCRC) found that there are currently 175 Acts in Australia which might impact on tourism businesses, without being necessarily tourism specific legislation. The regulatory environment for a tourism business includes consideration of:

- Business registration and licensing
- Accounting and taxation
- Financing
- Credit and debt recovery
- Staff recruitment and employment
- Supply chain management and contracting
- Public liability
- Occupational health and safety
- Franchising
- Intellectual property
- Fair trading
- Leases
- Import and export licensing
- Climate change and sustainability
- Land use planning and development
- Sector specific legislation for gaming, liquor, events, transport, national parks, marine parks and coastal development

### Business Operation Tip

Governments at a State and National level commonly provided business mentoring and legal advice services for small businesses in understanding their legal obligations.

The regulatory requirements of tourism businesses will differ depending on the type and size of business and the State or Country of operation. In Australia, the Department of Innovation, Industry, Science and Research has developed 'The Legal Issues Guide for Small Business' which provides quick and easy online information about a range of legal issues which frequently confront small business including

identification of sources of assistance and preventative measures. Governments at a State and National level commonly provided business mentoring and legal advice services for small businesses in understanding their legal obligations. The STCRC Report, 'The Legal Basis for State and Territory Tourism Planning' provides a summary of all 175 Acts that directly or indirectly impact on tourism planning and business operation, State by State.

## Product Development

Product development, whether it be the development of new products or refreshment of existing products is the cornerstone for the success of a tourism business. Without appropriate products or services that are relevant to visitor demand a business cannot survive. Product development should be based on the findings of the 'Planning' process of business development, in particular the situation analysis and strategic planning phases. The planning process identifies the market potential and goals for business development and growth, while the product development phase is the implementation of specific actions for the business.

A product development plan can be developed as a guide for the successful management of the product development and implementation process. A product development plan looks at the marketing mix including product, price, place, promotion and packaging. The type of product development will depend on the stage of development of the business. The 'Passages to Innovation' program developed by the Canadian Tourism Authority identifies the four quadrants of product development:

- Q1 – Existing Customers / Existing Products: a low risk strategy that aims to refresh existing products for the current market segments;
- Q2 – New Customers / Existing Products: a medium risk strategy that looks at repositioning existing products with a new market segment;
- Q3 – New Customers / New Products: a very high risk category that all new businesses start in. Extensive research and a unique selling point is required;
- Q4 – Existing Customers / New Product: a high risk strategy that presents new products to existing customers that are still aligned with the markets needs.



Provided in the sections below is further information on the successful development of products and experiences and the certification and accreditation of these products and businesses.

## 3.1 Product and Experiences Development

Simply developing a tourism product does not necessarily mean that visitors will come. Extensive research has been undertaken by many organisations into the successful development of tourism products and experiences. Key lessons from this research shows that:

- The development of tourism related products and experiences in a destination requires a clear understanding of the existing supply and current and future demand for products in a particular region.
- Dedicated market research on visitor demand can assist in understanding both visitor need and satisfaction, and to identify product development gaps and opportunities, as demonstrated by Victoria's Raw Travel with the extensive research and analysis undertaken prior to developing their business.
- Visitors are increasingly demanding tourism experiences rather than simply tourism attractions or products. Identifying the types of experiences that a visitor market seeks can assist in identifying the type of development required.
- A product / experience development opportunity should also be based on whether the proposed product will create a competitive advantage or add value to the existing tourism assets of a destination.
- A 4-Way Test can be used to help assess the value and sustainability of a tourism project or proposal. The test assesses the tourism development opportunity based on factors such as competitive advantage, responsibility and stakeholders, resource commitment necessary and action required.

### Business Operation Tip

Visitors are increasingly demanding tourism experiences rather than simply tourism attractions or products.

A range of resources are available on Regional, State and National tourism websites to assist businesses in product and experience development. A key resource developed by Tourism Australia is the two-part 'Australian Industry Experiences Toolkit' that focuses on the development of experiences match with target market needs and aspirations.

Please use the links below to read more about tourism product development opportunities in specific market sectors including accommodation, events and festivals, food and wine, cultural and heritage, business, nature-based and other niche markets.

### *Accommodation*

The availability of quality, value for money accommodation is a key component in a visitor's destination choice and a top three consideration in short-break travel. Key learnings for tourist accommodation development:

- A strong business case is required in order to secure investment or funding for accommodation development;

### Business Operation Tip

Ongoing investment in accommodation is required to refresh and refurbish facilities to meet changing visitor expectations and to ensure visitor satisfaction.

- A business case should be based on extensive market demand research, pre-feasibility studies of potential development opportunities, assessment of expected return on investment and input from a wide range of public and private sector stakeholders;
- Understanding historic and forecast supply and demand trends is required looking at occupancy rates, average room rates and revenue per room night to determine the project need.
- Clearly identifying the target market, their preferences and motivations is important not only for planning and developing accommodation but also for developing marketing and promotion strategies as demonstrated by Melbourne's Jasper Hotel who was able to identify a market need and reposition their hotel's image to target a new market. Visitors preferences for accommodation are often influenced by age, gender, family structure, income and reasons for travelling;
- Accommodation development should be aligned with the overall brand and image of a destination to ensure it is aligned with both consumer and host community values.

One of the landmark resources developed from Sustainable Tourism Cooperative Research Centre research is the 'Motel Makeover Guide'. This tool provides a simple guide to assist accommodation operators with the refurbishment and refreshment of accommodation facilities.

### *Nature-Based Tourism*

Nature-Based Tourism is a large and growing industry sector in many destinations across the world. A wide range of recreational, activity based, educational, cultural activities and experiences, can be accessed by visitors in natural and protected areas. The development of natural and/or protected areas for tourism products and experiences requires a careful balance between providing adequate visitor experiences and services, protecting the ecological and cultural values of the area and ensuring the long-term sustainability of the site. Key considerations for the development of nature-based tourism include:

- Development of collaborative public / private partnerships for the identification of tourism development opportunities, understanding planning and development regulations and the management of visitors in the natural area; as demonstrated by the partnerships between Kakadu National Park Management and commercial tour operators to ensure sustainable operations are developed.
- Understanding the political, social, cultural demographic and ecological environment surrounding the natural area when identifying potential tourism opportunities;
- Alignment with the park management plan and the park management objectives and goals in developing a tourism operation;

#### **Business Operation Tip**

The development of tourism in natural and/or protected areas requires a careful balance between quality visitor experiences and services, protecting the ecological and cultural values of the area and ensuring the long-term sustainability of the site.

- Development of visitor education and interpretative information to provide an enhanced visitor experience and encourage conservation education;
- Working with the public sector to develop clear development and operational guidelines to ensure sustainable practices;
- Developing effective environmental management practices for tourism operations in natural areas.

The Sustainable Tourism Cooperative Research Centre has undertaken extensive research into tourism development in natural and protected areas. Further information on nature-based tourism can be found in the 'Parks and Culture' section.

## *Events and Festivals*

Events and festivals provide numerous benefits not only for the individual business but for a community and tourism region. Local and regional events, including business events and conferences can increase visitation and expenditure, reduce seasonality, encourage repeat visitation and heighten regional awareness. They can also provide the stimulus for additional infrastructure development in the local area and building community pride. Provided below are some of the key findings from research regarding the successful development of an event.

### Event Planning and Management

Developing a successful event, whether it is a local event, special event, business event or major event, commonly requires extensive planning and commitment from a wide range of stakeholders. The development of an event should consider:

- Establishment of an event management committee to develop and plan specific events, as demonstrated by the successful operation and management of Queensland's Woodford Festival with an established event committee.
- Developing an event concept or theme that is aligned with the destination and business' values;
- Consideration of event requirements including funding, sponsorship, promotion, facilities and equipment, access, legal obligations and risk management;
- Coordinating involvement of other tourism industry stakeholders including accommodation providers, attractions and transport providers to encourage packaging and cooperative marketing.

### **Business Operation Tip**

Coordinated action between tourism stakeholders can help to promote an event and encourage increased length of stay in a region.

### Event Evaluation and Improvement

The evaluation of a festival or event is important to assess the value generated as a result of hosting the event. An economic evaluation of an event is the most common, however an evaluation can also provide demographic, marketing and visitor satisfaction data to assist in ongoing monitoring and improvement.

'Encore' is a Festival and Event Evaluation Tool developed by the Sustainable Tourism Cooperative Research Centre that is designed for event organisers and sponsors to assess the economic, environmental and social performance of an event, allowing event managers, funding agencies and host communities to monitor and improve their activities over time.

## Food and Wine

With the growing trend towards experiential tourism, the food and wine tourism sector has grown in importance as a product development opportunity. The development of successful food and wine tourism products and experiences requires consideration of a number of factors, including:

- Developing an authentic food and wine experience that provides high quality products and experiences that are value for money;
- The setting of a food and wine attraction is important in a visitor's decision making process. Maintaining the tranquillity and uniqueness of the surrounding environments is essential for visitor satisfaction.
- Clustering of food and wine products and experiences to provide a variety of options for the visitor and enhance their overall experience, as demonstrated by operators in the Huon Valley with the creation of the Huon Food and Wine Trail. Proximity to other facilities such as accommodation and transport is therefore also important.
- Effective dissemination of information to visitors in selecting either a food and wine destination or particular attraction. Research has shown the three major sources of information commonly used by food and wine tourists were print media, visitor information centres and 'word-of-mouth'. More recently, the growth in online information and social networking for pre-trip planning has shown a significant increase.
- Commitment of businesses and staff in the delivery of high quality customer service.

### Business Operation Tip

Successful food and wine tourism products and experiences include clustering of a range of these experiences to provide visitors with a variety of options.

The Sustainable Tourism Cooperative Research Centre has an extensive research library on the planning and development of food and wine tourism. The body of research, summarised in the 'Food and Wine Tourism in Australia Snapshot', highlights the growing importance of food and wine tourism, particularly in regional areas, and identifies significant trends and opportunities for the development of the industry.

### Business Operation Tip

Visitors seek authentic and tangible evidence of past and existing cultures from culture and heritage experiences and attractions.

## Culture and Heritage

Cultural heritage areas are growing in importance for tourism as visitors are increasingly interested in experiencing local cultures and traditions. The successful development of cultural and heritage tourism products and experience includes:

- Providing visitors with access to authentic and tangible evidence of past and existing cultures;

- Identification of the unique point of difference of cultural attractions in order to provide value for the visitor;
- The development of a critical mass of heritage tourism attractions in partnership with industry operators can assist in attracting and retaining visitors such as the development of the Clare Valley Heartland Heritage Trail;
- Involvement of the local community including Heritage Managers and local Indigenous groups in the development of cultural heritage attractions to ensure that the stories and traditions of past and existing cultures can be effectively communicated;
- The development of cultural and heritage attractions must balance both conservation and protection of the cultural assets as well as business needs;
- Clear visitor guidelines must be established to ensure that the cultural and heritage assets are maintained;
- Interpretation of cultural heritage, through brochures, guided tours, interactive displays or interpretive information boards is an important part of providing a positive visitor experience as well as an education tool for the conservation of heritage.

The Sustainable Tourism Cooperative Research Centre has a large body of research into the development of cultural and heritage tourism, summarised in the 'Culture and Heritage Tourism; Understanding the Issues and Success Factors Snapshot', as well as specific information in the 'Parks and Culture' section of the portal. A landmark report in this sector, developed in conjunction with the Australian Heritage Council, provides a guide to the development of successful cultural and heritage tourism facilities and attractions, identifying the key considerations for planning, developing, managing and marketing these tourism products - 'Successful Tourism at Heritage Places'.

### *Growing Niche Markets*

There are a variety of niche tourism markets that may be developed depending on supply and demand assessments. Niche markets might include Farm and Country Tourism, Ecotourism, Bird-Watching, Cycle Tourism, Indigenous Tourism, Adventure, Health (Wellness and Medical), Backpacking, Gay and Lesbian or Educational Tourism. The development of products and experiences to meet the needs of these markets should be based on an understanding of the markets characteristics, behaviours and preferences. National and State tourism organisations regularly conduct research into niche products which can be accessed via their websites.

#### **Business Operation Tip**

The development of products and experiences to meet the needs of niche markets should be based on an understanding of visitor market characteristics and preferences and assessment of their feasibility and investment potential.

Research produced by the Sustainable Tourism Cooperative Research Centre (STCRC) has focused on the niche markets of:

- Farm and Country Tourism - Developing a tourism business on a property can provide a good source of additional income for landowners. The success of rural

tourism ventures is dependant on the nature of the locality, property characteristics, human resources, market characteristics, marketing and accessibility.

- Backpacking Tourism – The importance of providing suitable work opportunities, appropriate accommodation facilities and opportunities for socialising for the backpacking market have been highlighted as the key factors for developing backpacker tourism.
- Educational Tourism – Research has shown that pricing, accommodation availability and ease of access are key influencers in a study tourism visitor's destination choice. Increasing expenditure from educational tourism can be achieved through targeted promotion and packaging of attractions and experiences to students.
- Bird-Watching – Research has shown that the core elements of a bird-watching tour or walk are the opportunities to identify birds, observe behaviour and have social interaction. In particular the opportunity to see rare, threatened and endemic bird species are important in holiday choice for a bird-watching tourists.
- Cycle Tourism – Increasing interest in cycle tourism from both a visitor and government perspective has been identified in research, in particular with the growth of the touring market. This research has also shown that domestic cycle tourists are very active travellers with a strong destination familiarity.
- Indigenous Tourism – Indigenous and aboriginal tourism is a growing tourism niche market for many destinations around the world. Indigenous involvement in tourism can provide significant economic development and social benefits for regional and remote communities and provide the opportunity for visitors to experience unique and tangible culture.

### *Interpretation and Education*

As visitor demand has increasingly focused on the provision of tourism experiences rather than products, the importance of interpretation and education has risen. The interpretation of tourism attractions, products, stories and history is an important part of providing a positive visitor experience as well as an education tool. Interpretation and education can be achieved through a range of methods including informative brochures, guided or self-guided tours, interactive displays, signage, media displays, audio information or interpretive information boards.

#### **Business Operation Tip**

Interactive interpretive programs and facilities provide an informative and enjoyable way for information to be communicated to visitors.

Research into the effective design and delivery of interpretation and education programs and facilities has shown that:

- Interpretation and education needs to be targeted and specific and aligned with the customer's expectations and demands from the business, service or attraction;
- Interactive interpretive programs and facilities provide an informative and enjoyable way for information to be communicated to visitors;

- ICT technologies for the dissemination of visitor information is increasingly used as a more efficient means of providing information to a visitor, as demonstrated by the use of audio-guided tours at the Alice Springs Desert Park;
- Staff need to be trained in customer service skills as well as strategies for communicating and promoting the significance of a business' products /services.

The Sustainable Tourism Cooperative Research Centre has a number of research reports into the effective dissemination of information and the design of interpretation. One of the landmark research tools developed by the STCRC is the 'Interpretation Evaluation Tool Kit' which assists in reviewing and evaluating face-to-face interpretive programs.

## Certification and Accreditation

Meeting and/or exceeding visitor expectations generates positive word of mouth, potential repeat visitation and long-term customer loyalty. Poor quality products and standards below visitor expectations can undermine a business' profit and long-term success. Product quality and standards influence visitor satisfaction, their length of stay and expenditure, and their likelihood to visit again or refer the destination to a friend or relative; and these are the fundamentals of sustainable visitation.

Accreditation and certification programs provide business owners with the opportunity to have their products and operations assessed and then recognised as providing a certain standard of practice. There are a range of different accreditation or certification programs available within the tourism industry, from national and international product quality accreditation to environmental certification and sustainability programs and specific quality standards for tourism industry sectors. The Australian Government is developing a standard National Tourism Accreditation Framework.

### Business Operation Tip

Accreditation programs provide businesses with a framework for identifying areas for improvement or development as well tool to influence consumer purchasing behaviour and perceptions.

Selecting an appropriate certification or accreditation program depends on:

- The type of accreditation required e.g. Environmental, product quality etc
- The reputation and current participation levels of the program
- The criteria and process used to certify or accredit a business
- The rigour of the program including the use of third party auditors to confirm the accreditation
- The price and value for money
- The level of support and assistance provided
- The ability to track and benchmark performance

Huon Valley's 'GreenTEA' program provides an example of a regional approach to sustainability, encouraging industry operators to participate in an Earthcheck benchmarking program to enhance the region's image and environmental credentials of individual businesses. Promoting visitor awareness of these accreditation programs is

important in influencing consumer purchasing behaviour and perceptions of a product or business. Accreditation programs also provide businesses with a framework for identifying areas for improvement or development.

## Marketing

As a highly competitive service industry, tourism businesses face the challenge of being able to effectively reach and communicate with the visitor market and successfully generate sales. Marketing is a core function of any tourism business, however is often restricted by resource and funding availability. The marketing activities of a business should be guided by an overall 'Marketing Plan' and be underpinned by the business' unique selling point and core brand values.

As identified in Tourism Victoria's Tourism Excellence Modules, there are seven ways to drive profit in any business:

- Increasing the number of leads
- Increasing conversion to sales
- Increasing average sales value
- Increasing sales per customer - repeat visitation
- Increasing the profit margin per sale
- Decreasing variable cost per sale, and
- Decreasing fixed overheads

The majority of these opportunities can be significantly influenced by the type of marketing strategies that a business employs. Successful business marketing should:

- Be based on market research and identification of the business' unique selling point;
- Employ relevant promotional and advertising actions to influence visitor perceptions, awareness and product choice;
- Employ effective sales and distribution channels to enable conversion of intention into actual visitation;
- Identify and leverage cooperative marketing programs with tourism organisations and businesses to provide resource synergies and increased visitation potential;
- Gaining 'cut-through' of the business's marketing message through innovative, cost effective marketing tactics such as media and PR generation.

## Market Research and Planning

Understanding your visitor market's characteristics can assist business managers in understanding their current visitor's demands and needs, identifying potential new target markets and developing effective marketing strategies to encourage visitation. A visitor's choice of destination, product or experience can be influenced by:

- Marketing variables – product, price, promotion and place;

- Traveller variables – previous experience, demographics, lifestyle and values;
- Travel purpose and motivations;
- Destination / product awareness, image and brand.

Key learnings for tourism businesses in incorporating market research into their 'Marketing Plan' include:

### Business Operation Tip

Regional, State and National Tourism Organisations provide a wealth of information to assist businesses to research and plan for business marketing.

- Dedicated market research programs are generally not time or cost effective for tourism businesses. Generally there is enough information available in the public domain to allow tourism businesses to analyse and understand visitor markets;
- Tourism Organisations provide a range of publications and resources to assist tourism businesses in understanding visitor market characteristics and identifying appropriate target markets;
- Evaluating potential visitor market segments should include assessing size, potential yield, geographic proximity, business growth potential, visitor needs, wants and values;
- Traditionally market segments have been determined by demographics. Current research has suggested that a more effective way to segment visitor markets is through a psychographic assessment ie. Visitor values and desires;
- Changes in consumer behaviour may be influenced by demographics, economic trends or social and environmental factors. An assessment of industry and market trends can be useful in identifying current influences on visitor markets however is not necessarily a good indication of future trends;
- Social and economic trend analysis and forecasting is one of the best ways for businesses to identify future market opportunities ahead of competitors;
- Simple customer surveys can assist businesses in assessing visitor satisfaction and identifying future product development opportunities or required quality and service improvements.

One of the key reports produced by the Sustainable Tourism Cooperative Research Centre 'How do Australians Choose Holiday Destinations and Experiences?; Modelling Consumer Choice' provides an insight into understanding the visitor decision-making process for selecting destinations and tourism products.

## Promotion and Advertising

Tourism is a highly competitive sector, in which businesses must be proactive and innovative in promoting their business and reaching their target market. Promotion and advertising is designed to provide consumers with the necessary information to differentiate between products and influence choices. Research into the development of promotional and advertising techniques for a tourism business has shown that:

### Business Operation Tip

Measuring the success of campaigns is important in determining future marketing efforts. Research has suggested that consumers need to be presented with the same marketing message through three different media before they recognise the brand or message.

- Every business is different and the promotional techniques that work for some businesses won't necessarily work for others. The media that a business chooses to tell their story will be different depending on the marketing message - tactical marketing or brand awareness;
- The choice of promotional and advertising techniques should be based on sound 'Market Research' and be targeted to a specific visitor market. Targeted marketing allows a business to reach the highest yielding clientele, ensuring that the marketing effort is not wasted;
- Selecting a promotional technique should consider the audience, distribution figures and reach, reputation of the publication / source, pricing and alignment with the business' positioning;
- Identifying the tourism business' unique selling point and brand positioning is important in developing a clear marketing or advertising campaign. Without a unique point of difference a business can not differentiate itself from the competition.
- The increasing use of the internet has significantly changed the tourism industry's approach to promotion and advertising through the use of online technology such as websites, e-marketing, social networking sites, user-generated content and new forms of direct marketing.
- Tourism businesses today are increasingly required to demonstrate their environmental credentials and commitment through their advertising and avoid the marketing 'greenwash' that has become prevalent within industry.
- There is no standard figure on how much a tourism business should spend on promotion and advertising. A business' marketing budget will be dependant on the level of competition and the market awareness of the product;
- While tourism advertising is often focused on pricing, visitors are increasingly seeking value for money rather than simply a low price.

Finding cost-effective promotional and marketing opportunities that achieve market 'cut through' is essential for tourism businesses in achieving a greater profit margin. For further information please see the section on 'Leverage Marketing'. Tourism Australia's 'Experience the Opportunities Directory' is an online tool designed to demonstrate the marketing opportunities available for tourism businesses in Australia.

## Sales and Distribution

Reaching time-poor consumers in an increasingly competitive market remains the greatest challenge facing tourism enterprises. The tourism distribution system provides a vast array of channels from travel wholesalers, to retailers, agents and inbound tour operators each requiring time and resources from enterprises to secure their services and support. The boom in online travel planning and booking has created a growing new channel to reach customers, however the internet presents even more complexity to travellers who are now looking to search, compare and book a range of products.

### Business Operation Tip

Businesses need to honour their distribution systems by not selling their products at a discounted price (minus commission) through other avenues such as their own website. This ensures that the distribution system can work effectively.

Working with distribution partners that sell your product to new customers can for many businesses provide up to 30% of all bookings (for some businesses 50%). Understanding which distributors are right for you is complex, but essential. More essential is tracking the performance of these distributors and honouring your distribution price contracts by not selling products at discounted rates.

**The Australian Tourism Data Warehouse is an excellent example of a distribution partner that can assist you in reaching customers online.**

Research by the STCRC into the sales and distribution network highlights that an effective strategy should include:

- An understanding of the right distributor for your product and target market. There is a wide range of support available for businesses in choosing distribution partners including working with Tourism Organisations and Associations such as the Australian Tourism Exchange Council (ATEC);
- Your work doesn't end once you have a contract in place, businesses need to retain regular contact with distributors to update them on new products, pricing changes, and new opportunities;
- Evaluate the success of your sales and distribution techniques and adapt;
- Working in the international market can be expensive if working alone. Discuss your plans with your Tourism Organisation to see if an Inbound Tour Operator, International Wholesalers, Retail Travel Agent or International Agent would be a potential partner for your business;
- An increasing number of visitors are using the internet for all of their travel planning needs, including information seeking, holiday / route planning and booking transport, accommodation and tourism-related products. Choosing the right online partner is at least as complex (if not more) than the traditional distribution system and requires an equal investment in time and resources;
- Customers want to create a 'connection' with the place. The use of 'new media' such as Customer Relationship Management systems, email marketing, IT systems and real-time web reservation services are an increasingly important aspect of effective marketing and sales; and
- Online booking and reservations systems can increase overall bookings if a website is user friendly, regularly updated and search engine optimised.

## Leverage Marketing

The majority of tourism businesses operate on a small profit margin and a limited marketing budget. It is therefore important that business managers can identify cost-effective marketing and sales that can successfully reach and convert the target audience. Two cost-effective leverage marketing opportunities are: media and PR; and cooperative marketing partnerships.

### Business Operation Tip

Including a tourism business on social networking websites such as Trip Advisor can provide a low cost PR generation techniques.

## Media and PR

- Leveraging media and PR opportunities that are linked to existing advertising campaigns can provide a low cost way to promote a business;
- Generating media and publicity for a business can be achieved through media releases, media kits, newsletters, website linkages, press conferences and media;
- Websites with user-generated content such as blogs, reviews and social networking can provide potential visitors with information that can influence their decision-making process and product choice, while also promoting a business.

Tourism Australia's 'Making a Splash; Generating Publicity for Australia' provides a practical guide for tourism business on working with the media and generating publicity for a tourism business.

## Cooperative Marketing

- Involvement in Regional, State and National Tourism Organisation marketing campaigns can provide cost-efficiencies for a tourism business in reaching a larger audience;
- Cooperative marketing partnerships at a local industry level can also assist in raising the profile of a region and influencing visitor choice;
- Marketing partnerships and cooperative campaigns should be based on shared values and goals and promote a consistent brand or proposition;
- Clear roles and responsibilities should be developed for all stakeholders involved in a cooperative marketing;
- Evaluating the success of collaborative marketing efforts is important in identifying future opportunities and strategies.

# Business Operation and Development

Tourism businesses operate in a highly competitive environment. Businesses need flexibility and commitment to ensure they remain profitable. All businesses should undertake the 'Business and Strategic Planning' process taking into consideration where they are currently positioned in the business lifecycle. The stage of the business lifecycle influences both the strategic planning process as well as the operational side of the business. Tourism Victoria's Tourism Excellence Module identifies the four phases of the business lifecycle:

- Start-up - uncertain markets, establishing products, uncertain marketing, low/no profit, heavy management involvement in the business;
- Growth - establishment of market share, expansion of product lines and or markets, sales growth, possible internal expansion to meet growth;
- Maturity - levelling of sales because of increasing competition or decrease in demand. This requires new strategies to avoid;
- Decline - decrease in sales and profits. If not addressed, it will end in failure.

The links in this section provide further information on some of the key elements of business operation, growth and development, including:

- The use of innovation and technology within a business to ensure that market competitiveness remains;

- The introduction of sustainable practices within a business to ensure long term economic, environmental and social sustainability;
- The introduction of appropriate human resource management practices to manage the recruitment and retention of staff;
- The use of professional development and training opportunities as a method to increase job satisfaction, retain staff and provide a high quality customer experience; and
- The introduction of risk management monitoring and review processes to ensure business viability over time.

## Innovation and Technology

Tourism businesses are under increasing pressure to continually reinvent themselves to meet the changing needs of the consumer. As a business develops and moves through its life cycle it will be influenced by trends in consumer demand, technological advancements, competition, economic and social changes and environmental imperatives. Innovation and the implementation of appropriate technology within a business can assist business managers in effectively responding to the changing environment and continuing to develop and grow.

### Innovation

Innovation in tourism relates to the development and implementation of ideas or concepts that enhance the visitor experience, improve products or services or simplify operations.

Innovation is not necessarily about creativity but more about problem solving, value-adding and identifying more efficient or unique ways of delivering a service or product. According to Tourism Victoria's Tourism Excellence modules there are three broad categories of innovation:

#### Business Operation Tip

The Australian Government has developed an 'E-Business Guide' to assist small businesses in understanding e-commerce and getting started in using the internet as a business tool.

- **Product innovation** – often high risk, involving substantial investment in people, time and money e.g. The development of wotif.com which was a market leader in online holiday booking systems in Australia;
- **Product improvement** - improving current systems and products, which may only require minimal investment, but can result in substantial profit increase e.g. The Barossa Valley's Penfolds that developed an interactive winemakers experience to further enhance the overall visitor experience; or
- **Process improvements** - improvements in the way a business operates. This usually involves little or no risk e.g. The Royal Melbourne Zoo who introduced new animal management practices and developed new educational programs for visitors in order to improve sustainability and encourage public education.

## Technology

Information communication technology is used in all tourism businesses to varying degrees. The business environment has been significantly influenced by the internet and new forms of e-commerce and communication technologies over the last decade. ICT can be used in a business for a variety of reasons including advertising and promotion, sales and distribution, customer management and operational efficiency. Key considerations for tourism businesses in implementing ICT within their business include:

- Not all technologies are appropriate for every business. Businesses need to identify those technologies that are likely to make the most difference in the business and provide value for money;
- The internet is a key tool for most businesses for marketing and sales and also communication with suppliers and customers;
- In addition to the internet, tourism operators need to remain up-to-date with other technological systems such as banking and credit facilitation, e-commerce and computer-based management systems;
- Successful implementation of technologies requires a good level of ICT skills either within the business or from an outsourced consultant, with regular review of the systems also warranted;
- Development of a risk and recovery plan for the possible ICT failures is essential for all businesses.

For further information on the use of technology for marketing and sales please see the 'Marketing' section.

## Sustainable Practice

In an increasingly complex and risk exposed sector, tourism operators must proactively plan to ensure long-term business sustainability. Sustainable practice incorporates not only long-term economic viability, but social and environmental sustainability as well. The implementation of sustainable practices within a business can help to extend the growth and maturity phases of the business lifecycle. The Sustainable Tourism Cooperative Research Centre (STCRC), through one of its landmark reports 'Small and Medium Tourism Enterprises' identified a series of criteria that can be used in assessing good practice of SMTEs:

- Strategic Planning including formal planning processes, clear goals and performance monitoring;
- Financial Management including record keeping, budgeting, access to finance, targets and outcome measurement;
- Market Knowledge and Activities including industry experience, research, monitoring and market analysis;
- Human Resource Management including employee relationships, training and recruitment, rewards and performance appraisal;

### Business Operation Tip

Communicating the verified sustainability practices of a business to its customers, suppliers and funding bodies can provide a comparative advantage for the organisation.

- Quality and Customer Focus including industry standards, accreditation, customer satisfaction, improvement processes;
- Networking and Relationship Management including external assistance, partnerships, industry associations and government support; and
- Leadership and Management including quality of leadership, management and governance, structure.

The implementation of environmental and social practices within a business can also provide benefits for a business in terms of operational cost savings, comparative advantage, leverage marketing and to support corporate social responsibility obligations. While environmental sustainability has been the focus of much attention over the past decade there are still a number of barriers that need to be overcome for small businesses to successfully implement these practices. Research by the STCRC has shown that the main barriers are implementation costs, lack of customer demand, the labour-intensive nature of becoming certified, lack of government and industry support and the technicality of information forums.

For further information on corporate social responsibility, performance monitoring and environmental benchmarking please see the 'Monitoring and Evaluation' section.

## Human Resource Management

As a service industry, tourism businesses rely on their ability to attract and retain high quality staff. Engaging, training and retaining the best possible staff is often the only thing that differentiates a business from its competition (Tourism Victoria, 2009). Effective human resource management is essential for businesses in attracting, recruiting, managing, developing, retaining and even letting go staff. Key findings from research into HR management include:

- While recruitment agencies and advertising are useful tools in the recruitment of staff, the development of both online and face-to-face networking forums has provided greater opportunities for employers to access the labour market and recruit employees;
- International skilled migration programs can provide a valuable avenue for staff recruitment if there are skill shortages;
- Work placements, apprenticeships and graduate programs can also assist in the recruitment of staff, including short-term employment in peak periods;
- Detailed job descriptions should be developed for new staff members including roles and responsibilities, key performance indicators (KPIs) and expectations;
- Regular performance reviews should be undertaken with staff members with assessment of performance against KPIs;
- New employees need to be provided with appropriate supervision time, guidance and training to enable them to reach the expected standard;
- The dismissal of staff needs to be handled sensitively and professionally. Understanding the workplace laws that affect your business is essential to avoid any potential legal repercussions.

### Business Operation Tip

Partnering with education providers is often the best way to access skilled staff that can be trained and grow in your business.

The Department of Resources, Energy and Tourism provides a range of resources in supporting small tourism businesses to consider staffing and training, including skills development, apprenticeships and immigration sponsorship.

Understanding the motivations behind staff turnover is also an important part of human resource management. For further information on staff retention through professional development and training please see the 'Professional Development' section.

## Professional Development

The tourism industry has one of the highest staff turnovers of all industries. Research has indicated that staff turnover in the industry is estimated to be about 50% and this turnover can cost up to 20% of the organisation's payroll (Griffith University, 2006). In a highly seasonal and competitive industry, the retention of high quality staff is vital to providing a superior experience for the customer. Providing appropriate training and professional development opportunities are important factors in being able to retain staff and provide a quality visitor experience. Research into staff retention and the provision of training and professional development has shown that:

### Business Operation Tip

AussieHost is a nationally recognised customer service training program that focuses on interpersonal communications, customer relations and service.

- Staff retention is not all about money.
- Job satisfaction, recognition, professional growth opportunities, a positive work environment and work/life balance are all important factors for employees in selecting a particular role, company and even industry;
- Tourism businesses need to provide career paths for employees, allowing them to develop and grow professionally and pursue their career options;
- Customer service training and other organisational training programs provide opportunities for staff development as well as enhancement of the customer experience.
- Providing training opportunities such as apprenticeships and graduate programs can also help to develop staff skills and encourage business loyalty;
- Performance-based bonuses, incentives and recognition of achievement can increase employee satisfaction and encourage retention.

State and National tourism organisations and associations provide specific training and labour market development opportunities and advice for tourism businesses, including the nationally recognised AussieHost training program.

## Risk Management

Tourism businesses are faced with a wide range of risks in their daily operation. The ability of a business to effectively respond to crises and risk occurrences can

### Business Operation Tip

Businesses that plan, prepare and manage risk can recover up to twice as quickly as those that do not.

determine if a business survives after a crisis. Business managers should regularly review their risk management process to ensure strategies are relevant and up to date. The risk management process should:

- Be based on a comprehensive Risk Management Plan, developed as part of the strategic planning for the business. This plan should incorporate strategies for preventing / mitigating identified risks, having processes and plans in place for potential risk occurrences, identifying processes for responding to crises when they occur and identifying actions for recovery following a crises;
- Monitor existing risks and identify new risks as they arise in order to evaluate risk mitigation and treatment options;
- Regularly test the risk management plan processes including crisis management exercises with key personnel;
- Evaluate the success of the risk management plan and processes following the occurrence of an adverse incident or crises;
- Ensure alignment with the risk management processes of the region or destination; as demonstrated by the establishment of the Grampians Regional Tourism Recovery Group which is made up of government representatives and industry operators;
- Develop key performance indicators or targets as part of the risk management plan as a basis on which to evaluate the success of a businesses' management of a crises;
- Establish clear processes for monitoring, reviewing and evaluating the risk management process, including key responsibilities and timing.

For further information on risk management and the development of a Risk Management Plan for a business please visit the section on 'Risk Management Plan'.

## Monitoring and Evaluation

'You can't manage what you don't measure'

The long-term profitability of a business is directly linked to its ability to adapt to changing market conditions. Businesses should undertake regular performance reviews to monitor and evaluate progress in achieving its organisational goals and vision. Measuring and monitoring business performance is important in identifying future opportunities and challenges for tourism in the business and strategies to improve on performance over time.

Research from around the world has shown that effective business monitoring and evaluation should:

- Be based on key performance indicators or achievement levels that are developed and agreed during business and strategic planning processes;
- Be underpinned by a regular performance monitoring review process;
- Identify relevant performance monitoring tools, methods or certification options to assist in measuring and reporting on performance;
- Consider the economic, environmental and social performance of the business including corporate social responsibility;

- Measure business performance over time against agreed industry benchmarks for best practice;
- Identify strategies for continual improvement to achieve best practice and business goals;
- Communicate and report on performance achievements with stakeholders, including customers;
- Identify strategies to leverage performance achievements with funding agencies, suppliers and statutory bodies.

A number of core topics relating to business monitoring and evaluation are described in further detail in the links below including results for topic-relevant research, tools and resources.

## Performance Measurement and Monitoring

Monitoring and assessing a business' performance allows for an evaluation of the organisation's success in achieving strategic priorities and provides the basis for future decision-making and performance improvement. A performance monitoring process for a business should be based on a clearly defined monitoring program or plan that articulates performance indicators, timing of the reviews, data collection methods, responsibilities and the process for analysing results and implementing actions. Key Performance Indicators (KPIs) should be developed as part of the strategic planning process and be directly aligned with the business' strategic goals and direction. According to Tourism Victoria's Tourism Excellence Modules some of the indicators of a healthy business are:

- Yield - the profit generated by the business divided by the number of patrons
- Revenue per customer
- Cost of sales - the cost of purchase as a percentage of the revenue derived from sales
- Total retail sales
- Admissions as a % of total revenue
- Marketing costs as a % of total revenue
- Occupancy or utilisation – e.g. seats on a tour versus total seats available
- Other indicators that could form part of a performance monitoring process include employment figures, new product development, funding and investment, sales conversion, visitor satisfaction and repeat visitation. Social and environmental performance measurement are further discussed in 'Sustainability Benchmarking' and 'Corporate Social Responsibility'.

### Business Operation Tip

Key performance indicators should be used as a point of comparison when assessing destination performance. KPIs should be specific, measurable, achievable, reportable and timely (SMART).

The Sustainable Tourism Cooperative Research Centre developed the 'Industry Performance Analyser for Tourism (IPAT)' tool for the collection and analysis of statistical and benchmarking data at a regional level. IPAT provides a flexible online data entry tool for collecting individual tourism business data and aggregating it to provide destination-wide performance data. This system provides a powerful tool for businesses in comparing and benchmarking their performance against competitors.

## Sustainability Benchmarking

Evaluating business performance is not only concerned with sales figures and economic value. Sustainability benchmarking can assist business managers in measuring their economic, environmental and social footprint and monitoring its impacts over time. This allows for the development of a decision-making framework to achieve sustainable development and growth for the business. Research into sustainability benchmarking and reporting has shown that:

- Monitoring and benchmarking performance can assist business' in better meeting consumer needs, identifying strengths and weakness and developing strategies to improve performance;
- A performance monitoring or benchmarking process should be based on a defined set of sustainability indicators to review and monitor economic, social and environmental impacts.
- Performance indicators allow for comparison on past performance, benchmarking against other businesses and reporting on achievements. Based on extensive research and scientific expertise, the Sustainable Tourism Cooperative Research Centre (STCRC) developed the Earthcheck sustainability indicators and associated benchmarks for a wide range of tourism industry sectors.
- Reporting on sustainability performance to all stakeholders is important in promoting a business' sustainability achievements and credentials.
- Environmental and sustainability certification programs provide businesses with an opportunity to make a long-term commitment to sustainable tourism development.
- There are a wide range of accreditation and certification programs available at a business operations level, including the 'Earthcheck Benchmarking and Certification Program' which provides businesses with an opportunity to measure, manage and benchmark their sustainability footprint.

### Business Operation Tip

Using an environmental certification program that allows for benchmarking and third party auditing provides a strong basis on which a business can promote their sustainability achievements.

Regional approaches to sustainability improvement and benchmarking have also been found to provide a cost-effective and coordinated approach to achieving sustainability for tourism operators. Tourism Queensland's Sustainable Regions program and the Melbourne Savings in the City program provide examples of clusters of tourism businesses taking steps towards sustainability.

## Corporate Social Responsibility

One of the key elements of sustainable tourism is social sustainability. The International Organization for Standardization as part of its work on the new ISO 26000 defines social responsibility as "the responsibility of an organisation for the impacts of its decisions and activities

### Business Operation Tip

Tourism Queensland has identified the 7 steps to socially responsible tourism as the development of values and policies, visioning goals and objectives, targeting relevant community groups, action plans, monitoring and awareness and promoting successes

on society and the environment, through transparent and ethical behaviour that:

- Contributes to sustainable development, including the health and the welfare of society
- Takes into account the expectations of stakeholders
- Is in compliance with applicable law and consistent with international norms of behaviour; and
- Is integrated throughout the organization and practiced in its relationships.”

Developing an effective approach to corporate social responsibility includes consideration of:

- Working with the host community to identify core values and goals for tourism in their community and recognising how the business’s goals align;
- Identifying strategies and initiatives to allow the organisation to contribute to community development including buying local products, employing local people, customer education programs on the region and community, community well-being initiatives, donating to local charities/organisations, or providing favourable discounts or benefits for local residents;
- Identifying strategies and initiatives to allow the organisations to contribute to environmental sustainability including environmental education programs, reducing the environmental footprint of the organisation or donating to local environmental initiatives.
- Accreditation and certification programs are available to measure and report on environmental and social sustainability. Please see ‘Sustainability Benchmarking’ for further information; and
- Reporting on corporate social responsibility to stakeholders, including the community and customers is important in raising the profile of the business and identifying ways to leverage performance achievements.



## What is Sustainable Tourism Online?

Sustainable Tourism Online is a comprehensive online information resource to support sustainable policy, planning and practice.

## What Information is available?

Sustainable Tourism Online provides credible national and international research, knowledge and tools captured within three main sustainability theme—Destinations and Communities, Business Operations and Parks and Culture. It also delivers relevant information on broader sustainable themes and global best practice.

## Additional features

Sustainable Tourism Online includes an interactive, real-time communication platform for sector professionals to engage in discussions on sustainable tourism issues, challenges and opportunities.

## Check it out

### [www.sustainabletourisonline.com](http://www.sustainabletourisonline.com)

Sustainable Tourism Online has been developed by Sustainable Tourism Cooperative Research Centre (1997—2010) as a resource to facilitate ongoing discussion and distribution of knowledge and tools to support sustainable tourism.

Image: Copyright Tourism WA



Produced by



Supported by

