

# *Exploring the Characteristics of Tourism Industry and Antecedents to Competitive Advantage Creation*

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**Abstract**—The tourism sectors comprises a wide range of industries in order to serve domestic and international visitors from business to leisure purposes. The aim of this paper is to explore on the topic of tourism, highlighting the characteristics of tourism industry and the antecedents to Competitive Advantage Creation (CAC). This paper uses exploratory study from 46 articles published in journals as well as conference proceedings. The result found that the characteristics of tourism product are adopted from service products. Service characteristics are based on IHIP (Inseparability, Heterogeneity, Intangibility, and Perishability). In the case of the tourism industry, competitive advantage could be created by providing an extraordinary experience which is the ultimate goal for travel and lead to customer satisfaction and customer loyalty. Therefore, this paper explains further the six competitive advantage creations through customer satisfaction. In conclusion, it is suggested that tourism industry should have collaboration between tourism players, in order to serve tourist better. Hence, exploring the tourism value chain activities will be advantageous.

**Keywords**—*tourism, characteristics, antecedents, competitive advantage*

## I. INTRODUCTION

Tourism sector is one of the most powerful drivers of economic growth. It is proven by the earning of export revenue from international tourism reached USD 1.7 trillion in 2018. It can be concluded that international tourism is among the top five economic sectors in the world after chemical and fuel, but ahead from food and automotive industries [1]. The tourism sectors, hence, comprises a wide range of industries in

order to serve domestic and international visitors from business to leisure purposes. Supporting industries are ranging from accommodation and transportation to food and beverage, retail and culture, sports and recreation. Therefore, the real benefits for all countries, especially the local communities within, are the opportunities for workforce and entrepreneurship creations. [2].

As tourism sector provided more benefits to nations, then, tourism studies become more popular these days. However, despite many scholars' study on tourism topics, they lacked the explanation on the basic characteristics of tourism industry itself. Most studies are directly analyzing the tourism performance such as tourist satisfaction and tourist loyalty [3]–[6] which lead to competitive advantage creation (CAC) [7], [8].

The aim of this paper is, therefore, to present an explorative research of the literature on the topic of tourism, highlighting the characteristics of tourism industry and the antecedents to CAC. This paper might be beneficial for researchers who would like to study more on tourism industry and how to create a competitive advantage.

Tourism industry is under the service product in which the tourism study have unique characteristics that are different from conventional manufactured products [9], [10]. Further, the products in tourism industry vary and provided by multiple different entities from air carriers, hotels, restaurants, and tours [11]. Therefore, the interdependence feature of tourism industry makes them heavily reliant on each other.[12], [13].

Finally, the success in collaboration of providing tourism products could create a competitive advantage [14].

## II. METHODOLOGY

This study is taken from 46 articles published in journals as well as conference proceedings. The purpose of this exploratory study is to better understand the tourism studies and how to create a competitive advantage for tourism industry. According to the main topics covered in this study, they were done by firstly explaining the characteristics of tourism industry that is based in IHIP characteristics of service industry. Later, the discussion is followed by looking at the antecedents on how to create a competitive advantage based on the six competitive advantages through customer satisfaction. This information aims to better understand how the tourism-related research was conducted to reach the aim of the study.

## III. DISCUSSION

### A. *Characteristic of Tourism Industry*

As a tourism product is called as a service product and it has the characteristics of a unique product, it makes it different from physical goods [15]. Therefore, the characteristics of tourism product will follow the service products. Service characteristics are based on IHIP (Inseparability, Heterogeneity, Intangibility, and Perishability) [16]–[21]. Later, some scholars added more characteristics with compliments on the previous ones, which are variability [22]–[24], interdependence [9], [25], simultaneity, cost structure, and labor intensive [26]. Most specific studies on the tourism and hospitality industries that mention about service characteristics are mostly relating the discussion with IHIP characteristics [9], [10], [22]–[24], [26]–[29]. Below the definitions of each characteristics of service in terms of IHIP are explained further.

The first characteristics is Inseparability, which generally discusses that the service product is not engineered at a manufacturing plant and then later is sent to the customer, but the customer has participated in the process of production [30]. On the other hand, it can be said that the simultaneity of production and consumption with customer has an interaction during the process compared to physical goods whereby having sequential nature of production, purchase, and the last is consumption [16]–[21].

The second characteristic of service industry which is used by the tourism industry is Heterogeneity. Many scholars discussed about this characteristic which comes out in many definitions. Heterogeneity is defined as a performance that often varies from customer to customer, producer to producer [30], and other studies define it as not having a standardization [16], [17], [21]. These multifaceted different experiences that may result from a single type of service are considered as a factor to distinguish goods from services [19] where there is also define as customer value [18]. Specifically in tourism context, heterogeneity is defined as a variation in the service delivery from customer to customer that is difficult to standardize the interaction of employee-customer [26].

Intangibility is the next characteristic that the tourism industry employed based on service context. Based on the

original definition from service context, intangibility is defined as something that cannot be counted, measured, inventoried, tested, and verified in advance of sale to assure quality [18], [20], [30]. Further, intangibility means that a service product has an effect on consumer behavior, especially on buying behavior. The uncertainty of the buying decision is, therefore, assumed to be higher than deciding on goods, which can be tested and returned. For the tourism industry, intangibility could be defined as the interaction and experience in delivering service product that is critical for satisfaction [26].

Last characteristic is perishability. The general definition of perishability is the inability to inventory service, so there is no cost of inventory, storage, and transportation of goods compared to physical goods [16], [17], [20]. Thus, it can be said that service is produced and consumed in instant and leaving with no value behind, but the experience is stored [18], [19]. Additionally, for the tourism industry, the meaning of perishability is when the service product is not sold, then the value will be lost forever [26].

### B. *Antecedents to Competitive Advantage Creation*

In the case of the tourism industry, forming competitive advantage could be done by providing an extraordinary experience which is the ultimate goal for travel—to make them outperform their competitors and to lead to customer satisfaction and customer loyalty. Customer satisfaction can provide major competitive advantage [8], which can directly lead to an increase in profitability and growth.

There are six competitive advantages through customer satisfaction. The first three are attaining for profit objectives and the last three are attaining for growth:

- Repeat buying results in lower costs. For this case, in order to achieve a suitable level of profits, more repeated visits leads to greater sales revenues which form the basis of competitive advantage [3], [7], [31]–[34].
- Customer Satisfaction creates price advantage. Satisfied customers are unlikely to switch suppliers, similar case with tourist. Once they are satisfied, it increases a propensity of revisit, those interrelated process is able to create a competitive advantage [7], [35], [36].
- Protection from satisfied customers in a crisis situation (loyalty in crisis). Customers' experiences is the key element for competitive advantage through loyal customers [4], [7], [37], [38].
- Product diversification grows through one stop shopping. Once a tourist is satisfied in one tourism products, it can create the intention to again visit the tourism destination and try other tourism products [39].
- New market growth by word of mouth. A satisfied customer tends to recommend the satisfying product or service to others [40]. The more satisfied and loyal a tourist is, it could impact on the positive word of mouth publication (WOM) and, thus, it is said to be the most influential in purchasing decision for the prospectus tourist. [3].
- New product development through lead users (sharing experience) [35].

Satisfaction has always been a central focus of business operation. It is a leading indicator of destination performance and a key point of differentiation [35]. Satisfaction is the key in creating and maintaining good service in the service provider which focusing on customer relationship which is important performance indicator of successful business operation [3]. Therefore, understanding the satisfaction creation is crucial and the interaction between factors related is important [5], [7].

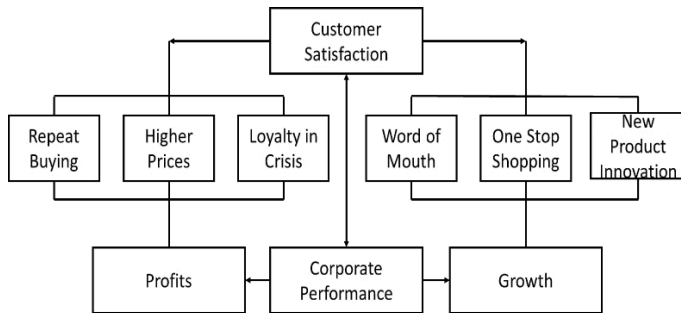


Fig. 1. Six Competitive Advantage through Customer Satisfaction

### C. Link IHIP to Competitive advantage, the need of Value Chain Concept

IHIP characteristics of service industry are actually adapted to tourism industry, the interdependent nature of tourism industry requires all tourism players to work together to add value and deliver product and services to the customer. Further, one of the crucial tools for analyzing the sources of competitive advantage is the value chain concept [41]. Indeed, the next major source for competitive advantage likely will come from more outward orientation toward customers, as indicated by the many calls for organizations to compete on superior customer value delivery.

The primary goals for tourism industry are creating competitive advantage through creating an extraordinary travel experience from a tourist perspective helping destinations managers' evaluation for future arrivals and expenditures. Therefore, to analyze travel experience, manage and measure the whole value chain, and to focus on customer's need are important [27].

Value chain concept allows a systematic evaluation of the entire tourism value chain activities to help in identifying leakages and opportunities [42]. Additionally, competitive advantage is formed by serving the quality of tourism products and services satisfactorily which leads to customer satisfaction in enhancing propensity to revisit those interrelated processes could enable to create a competitive advantage [7]. Hence, exploring the tourism value chain activities will be advantageous. The tourism value chain activities in this study are based on previous studies [7], [14], [15], [33], [43]–[46]. This action is expected to lead on achieving a suitable level of profits, since more repeated visits leads to greater sales revenues which form the basis of competitive advantage coming from tourist satisfaction and loyalty [31]–[33], [47].

## IV. CONCLUSION

This explorative study has been able to explain the characteristics of tourism industry and also the antecedents of competitive advantage in the tourism industry. The characteristics for tourism industry were adopted from IHIP characteristics of the service industry, while the antecedents of competitive advantage are through customer satisfaction. Customer satisfaction could enhance the propensity to revisit which interrelated processes could enable to create a competitive advantage.

Since the tourism industry is an interdependent nature, coordination in providing tourism products requires all tourism players to work together. Therefore, analyzing the value chain will be important. For further research, applying and analyzing tourism value chain will be useful to help in coordinating the activity which can be beneficial for tourist in their travel experience. As tourists were satisfied during their travel, it enhances the propensity to revisit those interrelated processes and could enable to create a competitive advantage

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