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BOOK REVIEW

Andreas Papatheodorou's (ed), *Corporate Rivalry and Market Power – Competition issues in the tourism industry*, I.B. Tauris. 2006, 208 pages, ISBN 978-1-84511-156-4 (paperback)

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Corporate rivalry and the abuse of market power in tourism may have important incidence on destination development. Interestingly though, this book does not stick to the standard political economy perspective examining the impact of transnational conglomerates on destinations. Similarly, active or passive competition amongst touristic countries is not discussed so as to avoid divergence on issues of protectionism and strategic trade. Therefore, environmental or other non-economic regulation issues, although of major importance, are included in this title either.

Nonetheless, the book covers extensively most – if not all- aspects of the tourism industry, ranging from the hospitality industry to airports and from

information technology to travel distribution systems. In essence, the book follows an industrial organisation approach to study and evaluate competition issues emerging in tourism.

Andreas Papatheodorou (the Editor) introduces the reader to the content and structure of the book by discussing oligopoly and competition issues in the tourism industry giving corporate examples in order to support his argument. He then provides an analytical framework of tourism flows and the characteristics of tourism models of spatio-temporal evolution.

Chapters 2 and 3 in particular set the theoretical pillars of the book. Zheng Lei examines in chapter 2 the pillars of industrial organization and their application to tourism. Basic forms of game theoretical models are illustrated with examples from tourism to study the competitive behaviour of large firms. There is an extended reference to the SCP (Structure, Conduct and Performance) paradigm and its applications: this is a major theoretical pillar in industrial organisation and can provide a useful analytical benchmark for the reader. In the following chapter Gang Li and Haiyan Song discuss quantitative techniques for tourism competition analysis. A large number of techniques are illustrated within this chapter from the HHI (Herfindahl-Hirschmann Index) to independent and paired samples t tests and correlations, as well as the single equation model, AIDS (Almost Ideal Demand System) and DCM (Discrete Choice Model). It has to be emphasized that the quantitative methods presented in this chapter focus only on the best applied and tested issues of tourism competition.

The following two chapters (4 and 5) focus on airlines and airports respectively. John F. O'Connell discusses the competitive strategy and general trends in the airline industry followed by an extensive reference to the pre- and post-deregulation waves and impacts. Airline alliances, hub-and-spoke operations, low cost airlines, frequent flyer programmes are explored leading to the latest deregulation developments, open skies. Passing on to airports, covered by Anne Graham, chapter 5 investigates into the complex issues of airport competition. The changing air transport environment is being taken into consideration as it has significantly affected the nature of airport operations. There are complicated issues related to the ownership and control of airport services as the current trends dictate more flexible operations, meeting the needs of LCC passengers or airline alliances.

In chapter 6 Dimitris Koutoulas examines the relations between tour operators and resort hotels, mainly in the Mediterranean basin. Tour operators have contributed a great amount to the development of tourism in the examined areas. The Mediterranean inclusive tours market, however, is dominated by a

small number of tour operators, mainly based in tourism originating countries. The market power gained by the tour operators is putting increasing pressure on accommodation and other providers of tourism services to reduce their selling prices. Greece is presented as a case study, where all the above impacts are shown in a successful manner. The chapter finally concludes with policies and strategies for hotels and governments in order to exit this vicious cycle.

Chapters 7, 8 and 9 focus on other sectors of the tourism industry, i.e. travel distribution systems, Information Technology and visitor attractions. In chapter 7 Dimitri Ioannides and Evangelia Petridou Daughtrey discuss travel distribution systems, particularly in the US travel retail sector. They investigate recent changes that have taken place in the travel agency business resulting from rising industrial concentration. The Internet evolution affected the operations of major GDS (Global Distribution Systems) providers, but these responded quickly either by acquiring competitors or by developing new products meeting the current market trends. It is argued though that GDS should move towards horizontal rather than vertical integration as experienced in Europe. GDS deregulation may have already created a more favourable environment for travel agencies, allowing a number of these to survive in the near future.

The impact of information technology on tourism competition is discussed in chapter 8 by Dimitrios Buhalis. It explores the impact of ICT (Information, Communication Technology) and the Internet in particular on the competitiveness of tourism organisations as well as on the levels of competition on the marketplace. In addition it illustrates the complexity of various types of systems and demonstrates how they fit together in the production, distribution and delivery of tourism products. The development of these technologies has led to a direct interaction with consumers, altering value chains. Nevertheless, strategic use of these tools is essential to maintain customer satisfaction, although they cannot replace or resolve arising problems or industry experiences.

Chapter 9 examines competition in visitor attractions. Stephen Wanhill discusses the nature of visitor attractions, reflecting on oligopoly and monopoly, monopolistic competition and ownership. Competition is linked to geographical location, the pattern of ownership and the historical routes. The majority of attractions are in the not-for-profit sector, but once they alter their operations and open to visitors, emphasis is given on visitor numbers and the experience offered to them.

The book proceeds then with the discussion of market definition in the tourism industry. Chapter 10 by Gunnar Niels and Reinder van Dijk reflects on the

developments in the whole industry over the last decade. The concepts of SSNIP (Small but Significant Non-transitory Increase in Price) and critical loss tests are explained, as well as the market definitions based on product characteristics. Geographic dimension and chain of substitution through these models can result in greater catchment areas when compared to those of providers alone. These practices tend to be extremely useful not only for competition issues, but for commercial purposes too.

Andreas Papatheodorou concludes the book by stressing the need for constructive policy making. After a brief summary of the chapters included in the book, he focuses on competition policymaking and the emerging conflict of interests in transport and tourism industries. Both policy makers and providers should cooperate leading to a win-win result instead of engaging into endless discussions. "Corporate rivalry should be encouraged; however, coordination success is also needed: co-opetition may be the way forward" (p. 205).

In essence, this book thoroughly covers all aspects of the tourism industry in terms of competition, market power and corporate rivalry. Examples from various countries are presented in the book, making it an excellent source for case studies. It constitutes an essential reading for those involved in tourism, economic geography and industrial economics. The low price of its paperback (list price £18.99) makes it affordable not only for practitioners and academics but also for students.