Abstract

How can you resolve the shortcomings of insufficient size by analyzing existing structures to answer the most vivid questions? In this context, strategic aspects such as market strategy, innovation and collaboration, and increased productivity of existing proposals are seen as key determinants of success. We will also look at how tourism-led SMEs can promote the development of economic disadvantages and how they can develop. Finally, the government will consider the conditions required by the tourism industry to promote SME promotion.

Keywords: Tourism, SME’s, Dual Economic Structure, Travel Agency, Retail Tourism Production.

Introduction

Tourism is a sector of the economy that can only be defined in terms of demand. The money spent by domestic and foreign visitors goes to a variety of different companies in various branches. These range all the way from industrialized sectors with large companies to small retailers and service providers(1).

Heterogeneous branch of the economy with dual structure

A tourism industry as such does not exist. Structures in tourism are fugitive. They begin to exist only in the presence of visitors in search of a bundle of tourism services. Moreover there is an important distinction to be made between the type of tourism where the travel and stopover arrangements are made on a collective basis by tour operators, and individual tourism organized by the visitors themselves. The Tourism Satellite Account as part of the national account is a concept which helps us to see beyond the heterogeneous nature of tourism producers, on the basis of a theoretical-statistical construct(2).

Satellite accounts bring together the branches that depend mainly on the spending of visitors, branches which are the components of what we call the “tourism industry“. Tourism includes industrialized sectors such as tour operators and the airlines as well as branches dominated by
small-to-medium enterprises (SMEs) such as the hotel and catering sector. They have their headquarters in most cases in the agglomerations of the countries from which the visitors come. Applying global or international strategies they take advantage of local tourism potentials and offer standardized products (Figure 1).

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**Figure 1:** Heterogeneous sector with a dual structure.

Unlike major companies in international travel and tourism companies, the destination of traditional tourist destinations as a small and medium-sized enterprise (SME) safe that produces retail services. They are primarily engaged in the residential and restaurant business as well as services that organize cultural and sporting activities for visitors.

![Figure 2](image_url)  
**Figure 2:** Micro-Structured accommodation sector in developed countries.

**Strengths and weaknesses of industrial and retail tourism production**}

Production and business statistics show that there are relatively few small and medium-
sized tourism companies in all developed countries (OECD, 2004). On the other hand, small businesses with nine to nine employees account for 60% to 90% of all OECD companies in major tourism sectors such as travel agencies and hotel transactions (Figure 2). However, these are generally small and medium-sized enterprises with more than half of total sales, considering the sales portion of the lion(5).

The fact that many companies that rely on the tourism industry have the structure of small businesses reflects consumer preferences and the need for customized tourism services. Many tourists want to take their vacation as a personal experience. This means high-quality, personalized service. Small businesses (SMEs), which make up the majority of the industry, are potentially flexible and unique in their quality of service to meet the rapidly evolving requirements of individual visitors(6).

Or, In fact, many people have lost this ability. It is becoming increasingly difficult for small businesses to survive and prosper in a highly competitive market. The marketing strategies adopted by most companies focus on recurring issues, making it difficult for these companies to change, adapt and innovate. Also, the possibility of rationalization is limited because of its small size and very high service personality.

Large tourism companies such as airlines and hotel chains can benefit from scale to penetrate and dominate new tourism markets. Reduce costs and increase revenue.
with standardized products and services. Higher benefits can increase productivity and growth. But even bigger tourism companies are not safe places (7). Vertical integration TUI, one of the world's leading tour operators with a wide range of tourism services and the largest portion of today's value-added chain, has more than 80 sub-brands. But you can be forced to "shrink" and "divide" parts of the empire that will become a new SME every day (Figure 3).

**Imperfect competition as the dominant market structure**

The international tourism market is becoming more liberalized. The impact on the international travel and tourism industry is not the same as the tourism-dependent SMEs. However, the situation of incomplete competition is found in both areas. Tourist competition is not complete. International travel and tourism operators are often "voters" in the world market. They can differentiate products and markets. They do not depend on individual destinations. These companies focus on growth. As the scale grows, economies of scale are achieved. They push out competitors in the market (8).

Therefore, the international travel and tourism industry is under shattering. This can create an oligopolistic structure (as is the case in all major tourism sectors such as tourism operators, airlines and marine cruise companies) (Figure 4).

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**Figure 4:** Imperfect competition as a dominant market structure in tourism.

Despite the intense competition among a large number of service providers, the situation for SMEs that rely on the tourism industry is completely different. In principle,
this part of the stamping of goods and services departs. There are natural, cultural and artificial tourist attractions to distinguish products and services. Each destination is unique because of its product differentiation.

As a result, there is an exclusive competition between destinations. SMBs that rely on sightseeing benefit from the uniqueness of their destination. Each destination is characterized by a tradable brand that is as economical as a consumer goods industry. The price is therefore a strategic variable for entrepreneurs who are willing to pay a premium at a market price determined by the cost of the visitor. In fact, he can choose from a wide range of pricing policies in the context of value-based pricing.

**Market strategies for destination oriented SMEs**

Indeed, the natural market strategy for destinations is to emphasize the uniqueness of products and services. If successful, SMEs that rely on local tourism can benefit from recognition and recognition of their destination. The brand value of the destination can provide economic benefits and raise the price above marginal cost (Figure 5).

From an economic point of view, it is not yet clear how the destination will occur. One of the most important factors is undoubtedly driving the company's business level and driving geographic concentration. For example, there is no five-star hotel in every destination. Once you have a foundation stone, there is a strong incentive for further development.

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**Figure 5: Destination Advantage of SME’s.**

Numerous installations and equipment creation and operation results in flocculation effects. This contributes to an increasing number of attractive infrastructure and
tourist destination destinations such as wellness centers and shopping areas. This gives individual tourists a very desirable choice of products and services. These destination-related benefits allow individual SMEs to increase revenues while reducing costs(13).

Differentiation is a strategy for the destination because consumer needs change. The love of diversity makes it possible for developed countries to exchange profitable tourists. Exclusive rents to destinations and SMEs largely offset what consumers want. This explains the compatibility of existing proprietary destination structures and competition principles based on market economies.

However, differentiation of destinations has not only benefits, but also the development of umbrella brands is difficult and costly. The cost will increase depending on the level of differentiation. Brand management requires continuous investment in product improvement and quality assurance systems. Multifunctional delivery of products and services is obviously costly because of the need for infrastructure support. FIT's differentiation strategy excludes the benefits of specialization and standardization(14).

**The Need for Co-Operation**

Monopolies fail to produce the most efficient structures because producers restrict production to increase production rather than justify costs. In the long run, they are becoming increasingly competitive with international travel and tourism companies. Destination-oriented individual tours are expensive. The price of the services offered by individual SMEs is a huge sum. There are few "all-in" proposals. As a divided industry of SMEs, the tourism industry generates high costs. Tourists and Factors The market is weak. Therefore, the capacity of SMEs by destination is not utilized properly and does not generate much profit. The economic situation of SMEs at their destination can be improved by collaborating with others, providing services and promoting them as a package.

Collaboration is essential for the positioning and marketing services offered by small businesses. It is also a way for your company to increase productivity and reduce costs. SMEs should consider optimizing their unused potential for internal growth before considering cooperation. Additional cost for the hotel, additional seating in the restaurant or the added capacity of the cable car company will reduce your average cost. In this way, SMEs can grow optimally(15).

Collaboration should only be considered if the company's own products and services are insufficient and additional products and services are not available in the marketplace. Collaboration has an economic sense only if it increases profits and reduces costs. In certain areas where concentration is required, the degree of cooperation will be greater. For example, the development and operation of information and reservation systems at the destination level requires relatively intensive cooperation(16) (Figure 6).
For SMEs that rely on tourism, cooperation rarely works in line with the standards of the industrial economy. Vertical cooperation in long-standing, destination-level market communications is almost ineffective. As part of destination marketing, this task is delegated to a local, regional or national tourism organization.

One possibility that is being discussed at this time is that SMEs are increasingly pressured by competition regardless of whether their own destination management should approach the market as a single competing firm. This approach requires the management and integration of hierarchical types of target service providers. There are, of course, vertically integrated destinations such as "unifying" the North American ski resort of the Rocky Mountains and the southern hemisphere of the Southern Hemisphere(17).

From a macroeconomic point of view, destinations are primarily a fragmented part of SMEs in markets where supply is both supply and demand side. It is also important to take advantage of the existing potential of cooperation.

In fact, horizontal cooperation as well as vertical cooperation by tourism organizations play an important role. At the branch level, horizontal integration is increasing, which means that individual SMEs provide independence. SMEs in the accommodation sector must pursue an additional scale economy through regional

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**Figure 6:** Market co-ordination mechanism for SME’s.
cooperation. In some cases, a freely assembled hotel chain that skips the world is working together on marketing. In particular, the number of integrated hotel chains is growing at rapidly growing destinations (18).

**Overcoming the Cost Disease**

A major problem in the micro-structured tourism industry is the lack of productivity. Tourism SMEs suffer from dietary diseases. Their productivity is lower than the average of other sectors of the economy. This productivity deterioration should be compensated by price increases. This process is twice as harmful to SMEs. Their service is so expensive that they risk being priced in the market. And because it is less competitive than other economic sectors, getting production factors such as labor and capital is getting harder and harder (19).

To cure a disease requires new and innovative solutions for the production and marketing of tourism services. In this context, the dissemination and incremental implementation of innovative applications play an important role. Nowadays there is an effort to transform tourism industry from pure service industry to "experience industry". You also need to use more information technology. The fundamental innovation applied to the tourism industry can increase the productivity of the sector (Figure 7).

![Figure 7: Basic Innovation to overcome cost disease of SME’s in Tourism.](image)

Tourism is a kind of dream factory. Vendors that create unique experiences increase service value and revenue. To enhance the experience of a tourist resort, you should create a new bundle service, create a cozy atmosphere and serve theater on stage. Unlike the international travel and tourism industry, which has standardized products, small and medium-sized enterprises (SMEs) are bound to offer individual visitors an unforgettable experience (20).
today's smallest companies can always exist in global markets due to the information path. Low-cost direct booking is no longer a problem. This can be done via email or through advanced destination information and scheduling systems. Internet and online services have helped the tourism-focused SMEs and traditional destinations recover the muscle of the market.

Information technology is primarily intended to help small-scale tourism workers improve productivity. Today it is possible to outsource many "back office" services, so that the management of the company can focus on the core functions to ensure the quality of service and take care of customers to enhance the value of experience(21).

An important question about the future of SMEs, which rely on the tourism industry, is how the use of information technology systems can be used to optimize market positioning and productivity. It is a problem that is not always solved because of lack of know-how. The quality of a tourism organization plays an important role because it can develop costly management, information and reservation systems at the destination level.

Making the best use of endogenous growth opportunities

Tourism is perceived as a way to solve the economic problems of increasingly remote areas, traditional industrial areas and expired downtown areas. Another factor is the misunderstanding that SMEs, the backbone of tourism, can be developed without special know-how or funds. Experience has shown that tourism can actually be successfully developed only in certain situations. You can develop your sightseeing in the places
you need. These are the raw materials of the tour that bring visitors, and their value is determined by the visitor’s willingness to pay. The location and potential of the origin markets also play an important role, Transportation and time costs(22). Entrepreneurs and policymakers can not create extrinsic factors that do not exist (Figure 8).

According to research, it is said that the aggregation effect combined with the scale advantage at the enterprise level that enhances the competitiveness of the tourism center. This allows the tourism center company to produce products more efficiently and at lower cost than competitors outside the center. They lead to competition inside and outside the destination, and endogenous growth(23).

The role of SMEs in tourism development has changed in the era of globalization. Tourism centers have grown in industrialized countries. As competition is fierce and the destination is turning into adulthood, the tourism industry is now in the best position in the process. The size of the company is growing in this region. In this context, a larger destination is a prerequisite for business growth to ensure the scale change required.

These tourist centers hang cluttered shadows behind the scenes. SMEs can jeopardize the growth of small areas, which means that they have no choice but to provide a niche market as a result of a certain size that limits growth opportunities. In fact, economies of scale or those without interest can only grow in areas where larger destinations can not be developed. Examples of such niche activities are "accommodation" or sustainable development of natural park tourism.

Emerging markets grow by emerging economies and travel organizations in developing countries. Most investors are foreigners. They have established major tourism complexes with standardized services using state and international communities. This new player focuses on the international market(24).

Despite the best intentions of government tourism policy in the first stage of industrial development, there is little room for SME development. SMEs generally begin to emerge as the latter stages of development, especially the emergence of internal tourism.

**State incentives for tourism-dependent SMEs**

Another question is whether the development and survival of tourism-dependent SMEs requires specific incentives. What is the value of SME promotion in terms of tourism policy? The basic objective of tourism policy is to create basic conditions favorable to tourism industry as a whole. Training in the tourism sector, infrastructure support, destination marketing and competition, innovation and cooperative development, and conservation of natural and cultural landscapes are irrelevant to the size of the company(25) (Figure 9).
Tourism policies may not be particularly relevant to private sector activities. Exceptions are actions that are effective at this level. For example, in some countries funds are provided for the renewal and development of startups in the accommodation sector. We need action in this area. When credit facilities are allocated, market distortions occur and damage to small and medium enterprises occurs (26).

**Conclusion**

The fact that the travel industry is mainly created from the perspective of SMEs is considered a sufficient justification for national intervention through tourism policy. For example, promoting cooperation is justified by the existence of high transaction costs, mainly in small businesses and segmented tourism. The tourism structure was justified in order to limit the opportunities for research and development in relation to the promotion of innovation. In fact, there is no innovation that can be patented in the tourism industry, so you can earn monopoly profits to pay for your R & D projects. The quality of tourism policy can be measured by the degree to which governments can limit the shortcomings of small businesses without taking advantage of them.

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