INTRODUCTION

It has been nearly two decades since *Tourism Management* published the influential special issue on Tourism and Transnationalism that was guest edited by Go and Ritchie (1990). The central theme of the special issue was the identification of the growing role of transnational corporations (TNCs) in the international tourism industry. One of the most significant findings was that tourism-related TNCs were no longer constrained to just North America and Europe. The broader geographic reach of TNCs was partly explained by the advent of more sophisticated communications technology and the rapid global consolidation of the travel industry.

What is new today is the increasingly complex and fast changing nature of global business operations. Forces of technology, which have facilitated increasingly sophisticated networks of production, are leveling the global competitive playing field. *New York Times* columnist Thomas Friedman has coined the phrase “The world is flat” to capture how fiber optic cable, digital networks, and global production chains have succeeded in flattening the world by permitting collaboration on a global scale. International tourism business operations are no exception to this rule although the ongoing restructuring of globally oriented tourism companies has recently been supplemented by the rise of networks of flexible specialization; ongoing innovations in telecommunications and information technology; the emergence of strategic alliances; the commodification of place; and the evolution of more sophisticated forms of consumer demand.

Changes in consumer demand and the evolution of increasingly more sophisticated consumer preferences have undoubtedly played substantive roles in reshaping the international tourist product. Franklin and Crang (2001) persuasively argued that complex cultural and social processes shape tourism consumption even in the face of profound global economic restructuring.

Global Tourism Business Operations – Theoretical Frameworks and Key Issues

Keith G. Debbage and Suzanne Gallaway
The reassertion of the distinctiveness of the locale as a place to invest in has become crucial to these processes of globalization, particularly as the consumer becomes more discerning when choosing a destination. It is now clear that there are existential, experiential, and cultural-political dimensions to international tourism that make it a complex, highly social and political phenomenon.

That said, we argue in this chapter that it is the actual “machinery of production” (e.g., airlines, hotels, cruise ships, and tour operators) that most directly manipulate and facilitate origin–destination tourist flows across the world. Investment capital in tourism is increasingly tied up in international circuits of finance involving some of the most powerful business corporations in the world (Table 32.1). By most accounts, tourism is now one of the world’s largest industries in the world responsible for nearly one-third of total global service trade in 2004 (World Tourism Organization [WTO], 2005).

The overall purpose of this book chapter is to provide a state-of-the-art review of theory and research relating to global tourism business operations. It will be argued that comprehending tourism requires a more critical understanding of how the global tourism production system manipulates and shapes tourist places and destinations at the macroscale. The chapter does not attempt to provide a comprehensive view of all aspects of global tourism business operations nor cover the entire world from a spatial perspective. Instead, the chapter will focus on the most recent research in the field and particular attention will be paid to how the competitive environment influences tourism origin–destination flows particularly through the airline, lodging, and cruise-ship industries. The chapter will highlight some of the more current conceptual and research-related advances and focus on the thorny issue of how substantive global tourism business operations can impact tourism development processes. We begin the chapter by arguing that a more fundamental understanding of tourism as a supply-side industry is crucial to a better understanding of global tourism business operations.

### Table 32.1 Largest tourist business operations, 2005

<table>
<thead>
<tr>
<th>Business</th>
<th>Units</th>
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<tbody>
<tr>
<td><strong>Airlines</strong></td>
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<tr>
<td>American</td>
<td>98.1</td>
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<tr>
<td>Southwest</td>
<td>88.5</td>
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<tr>
<td>Delta</td>
<td>86.1</td>
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<tr>
<td>Air France–KLM</td>
<td>69.2</td>
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<tr>
<td>United</td>
<td>68.8</td>
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<tr>
<td>US Airways–America West</td>
<td>64.0</td>
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<tr>
<td>JAL</td>
<td>58.0</td>
</tr>
<tr>
<td>Northwest</td>
<td>56.5</td>
</tr>
<tr>
<td>Lufthansa</td>
<td>51.3</td>
</tr>
<tr>
<td>ANA</td>
<td>49.6</td>
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<tr>
<td><strong>Hotel chains</strong></td>
<td></td>
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<tr>
<td>Intercontinental Hotels Group</td>
<td>537,533</td>
</tr>
<tr>
<td>Wyndham Worldwide</td>
<td>532,284</td>
</tr>
<tr>
<td>Marriott International</td>
<td>499,165</td>
</tr>
<tr>
<td>Hilton Hotels Corp.</td>
<td>485,356</td>
</tr>
<tr>
<td>Choice Hotels International</td>
<td>481,131</td>
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<tr>
<td>Accor</td>
<td>475,433</td>
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<tr>
<td>Best Western International</td>
<td>315,875</td>
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<tr>
<td>Starwood Hotels &amp; Resorts</td>
<td></td>
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<tr>
<td>Worldwide</td>
<td>257,889</td>
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<tr>
<td>Carlson Hospitality Worldwide</td>
<td>147,129</td>
</tr>
<tr>
<td>Global Hyatt Corp.</td>
<td>134,296</td>
</tr>
<tr>
<td><strong>Cruise ship companies (North American market)</strong></td>
<td>Lower berths</td>
</tr>
<tr>
<td>Carnival Cruise Lines</td>
<td>47,908</td>
</tr>
<tr>
<td>Royal Caribbean International</td>
<td>45,570</td>
</tr>
<tr>
<td>Princess Cruises</td>
<td>28,800</td>
</tr>
<tr>
<td>Norwegian Cruise Lines</td>
<td>20,950</td>
</tr>
<tr>
<td>Costa Cruise Lines</td>
<td>17,265</td>
</tr>
</tbody>
</table>

*Source: Air Transport World (2006), Hotels (2006), and Cruise Lines International Association (2006).*

### GLOBAL TOURISM SYSTEMS: SOME SUPPLY-SIDE CONCERNS

In what has become an academic classic, Britton (1991) provided an intellectual road-map for those interested in the globalization of tourism capital. Britton argued that tourism is a highly sophisticated production system that explicitly markets and packages places on a global scale and, therefore, is implicated in many of the economic, political, and social issues of current concern.
to tourism researchers and scholars. These issues include the ongoing debates about the globalization of tourism capital; the creation of new “postmodern” landscapes, such as Las Vegas; the changing role of world cities as places of consumption as well as production; and broader processes of industrial and regional restructuring.

Building on Britton’s recommendations, Ioannides and Debbage (1998) have suggested several new research directions for a more informed economic geography of the global tourist industry including a more rigorous conceptualization of what comprises the tourism production chain; a better appreciation for how the larger competitive environment shapes the global geography of tourism production; and a heightened awareness of the ongoing place and cultural commodification processes at play in the global contemporary economy. Agarwal et al. (2000) echoed the concerns of Ioannides and Debbage (1998) when they argued that the overall understanding of the international geography of tourism business operations is theoretically isolated and threadbare. In an analysis of tourism development in the UK, they found that changes in tourist consumption patterns, changes in the scale and ownership of production through strategic alliances, and changes in the geographical organization of production are all leading to new supply-side structures in the international tourism industry. However, the study of tourism has long been handicapped by an inattention to the supply side of global tourism business operations (Debbage and Ioannides, 2004; Ioannides and Debbage, 1997).

More recently, Judd (2006) has articulated pointed out how the paucity of supply-side research in tourism has resulted in tourism rarely being mentioned by scholars who study globalization and cities. For example, Thomas Friedman (2006) in his book The World is Flat does not include a single index reference to tourism even though WTO statistics show that the international tourist industry generated US$524 billion in international tourism receipts in 2003 (World Tourism Organization, 2005.) Judd argues that part of the problem is that the current definitions of tourism are deficient because they define tourism as a system of consumption rather than production.

The tourism system cannot logically be a system of consumption unless there are also producers. Producers seek to shape the tourist experience; it does not arise by accident. It is important to study the demographics of tourists and their desires and patterns of consumption. But what tourists want or think they want, and the choices from which they choose, are determined at least as much by those who consciously produce the tourist experience as they are by consumers. (Judd, 2006: 333)

Judd suggests that the concept of commodity chains (or value chains) may be a more appropriate conceptual framework for identifying the organizational structure of global tourism business operations. Although few tourism scholars have attempted to theorize a global commodity chain of tourism, Judd points out that key inputs in any value chain should include: the marketing and image firms that “manufacture” the tourist experience, place infrastructure, and the major tourism providers such as the airlines and hotels. Gathering data to trace the commodity chain may be a daunting task given the conceptual and definitional issues, but Judd suggests that “there is little reason to believe that tourism is inherently more complex than many other economic industries” (2006: 333). He believes that by treating tourism as a coherent system of production, it becomes possible to fully integrate the tourism literature within the broader literature on globalization.

D’Hauteserre objected to Judd’s suggestion of utilizing value chains to better understand the tourism supply-side. She suggested that commodity chains reflect a deterministic, static approach that “denies the role of consumers in shaping the chain” (2006: 340). Because Judd’s approach underplayed the social relations of production, D’Hauteserre argued that a preferred approach may be to utilize Actor Network Theory (ANT) if we are to successfully “unravel the complex relations that contribute to tourism as an economic
activity” (2006: 341). She indicated that ANT is a more appropriate conceptual vehicle for investigating both the complex networks of labor and production processes, and the transformational feedback loops that exist between the production and consumption of tourism.

Although it is good to see robust debate about commodity chains and ANT, a precursor to any discussion about global tourism commodity chains should include an overview of the fundamental global flows of tourism capital – we now turn to a discussion of the recent literature on global tourism capital.

Quantifying global flows of tourism capital: issues of definition and scale

A clearer understanding of the pattern and scale of global foreign direct investment (FDI) in tourism is crucial, if we are to better understand the primary mechanics that drive global tourism business operations. However, not many studies have been conducted focused on FDI flows in the international tourism industry. According to Endo (2006), the lack of research is partly attributable to the industry classification methodology used in conventional FDI statistics, which does not correspond well with the wide range of activities captured by tourism. Endo is an Economics Affairs Officer with the United Nations Conference on Trade and Development (UNCTAD) and is well placed to utilize the extensive UNCTAD database in any analysis of tourism FDI.

Endo attempted to integrate corporate data from the major tourism transnational corporations (TNCs) to supplement FDI tourism data in order to get a clearer picture of global tourism investment flows. She argued that while tourism appears to be a global industry based on origin-destination tourist flows, the reality is that most tourism TNCs are not as global as other industries. She also pointed out that many tourism TNCs take non-equity forms (e.g., leasing, management contract, and franchising) and, therefore, tend to be under-represented in FDI statistics – which tend to assume some level of equity investment.

According to Endo, “the market share of the major TNCs in the global hotel industry … is not as dominant as one may think. What they account for is a little less than one-fifth (in 1998) of the world’s hotel supply” (2006: 603). Similar trends are reported for the international airline industry where much of the globalization of airlines takes the form of non-equity based strategic alliance networks such as the Star and One World alliances. According to Endo, although the tourism industry as a whole accounted for US$160 billion in cross-border merger and acquisition deals from 1987 to 2002, this was only 3% of the deals for all industries during the same period.

Endo indicated that much of the tourism FDI has been generated largely within the developed world (i.e., North America, European Union, and Japan.) However, she also suggested that no matter how small global FDI in tourism may be in the lesser developed countries, it is important for third world countries to secure non-equity forms of TNC participation to fully integrate into international tourism networks and attract visitors.

While some progress has been made in our understanding of investment flows in international tourism, others have grappled with the appropriate geographic scale of analysis when analyzing global tourism business operations. In an effort to get a better understanding of the complexities involved in global tourism analysis, Prideaux (2005) proposed a bilateral tourism framework because much international trade continues to be conducted on a nation-to-nation basis despite the shift to regional free trade blocs such as the European Union. According to Prideaux, “bilateral tourism describes the flow of tourists between two countries, irrespective of proximity, and is measured by actual tourists, their percentage as a proportion of inbound and outbound flows, and the state of the tourism balance of
payments" (2005: 781). Prideaux suggests that the demand for global business tourism operations at a bilateral scale is likely to be substantively shaped by “factors that include price, personal preferences, destination image, government regulations, personal financial capacity to travel, international political/military tensions, health epidemics, concerns for personal safety, and fear of crime” (2005: 784). Although Prideaux's conceptualization may be useful when analyzing the pattern of tourist flows between specific country pairs, the bilateral model understates the complex multilateral commodity chains that shape tourist demand on an international scale.

By contrast, Coles and Hall have argued that the 2004 expansion of the European Union (EU) to 25 countries with an economy of US$850 billion has the potential to “precipitate significant new and modified tourist flows” (2005: 52), particularly for global tourist business operations. They identified several key issues that could emerge as major research themes triggered, in part, by the latest round of EU enlargement. First, Coles and Hall encourage tourism researchers to study the connections that exist between evolving tourism development processes in Europe and the EU governance structure. They point out that although tourism has been targeted as a key growth industry by the EU, paradoxically, there is no separate commissioner for tourism. One key implication is that international tourist business operations may be constrained by an inability to successfully lobby the EU for a regulatory environment that facilitates the tourist industry’s competitive advantage relative to other industries.

Second, Coles and Hall suggest that EU enlargement has altered the playing field regarding the flow of international tourism capital and labor mobility, effectively producing new “winners and losers” that have the potential to significantly modify the production and consumption of tourism. They argue that these changes may directly impact airline route networks and the locational strategies of the lodging industry throughout the EU and beyond.

At the other end of the research spectrum, Algieri (2006) analyzed the relationships that existed between international tourism specialization and economic growth in small countries. Her analysis suggested that specialization in tourism can be associated with fast economic growth and that cost of living and international airfares are “highly significant factors in determining tourism revenues for the tourism-based economies” (Algieri, 2006: 10). We now turn to a more detailed examination of some of the key issues in specific tourist industries that play a pivotal role in shaping the international tourist product.

Air transportation and tourism: regulatory reform and network economies

One of the most important component parts of any global tourism business operation is the international airline industry. Many significant international tourism destinations, especially in the relatively isolated “pleasure peripheries” of the Caribbean and the South Pacific are highly dependent on international tourist arrivals by air. According to Endo (2006), 80% of tourists now arrive by air when visiting third world destinations. Consequently, the competitive strategies of the airline industry can have profound implications on tourism development processes.

Despite this, most tourism focused books and articles tend to consider air transportation as just one of several component parts of the international tourist industry while the transportation literature rarely addresses the movement of tourists or leisure travel. Consequently, while air transportation frequently acts as the critical link between tourist-generating and tourist-receiving countries, it is usually relegated to a minor place in tourism studies although this is slowly changing (Bieger and Wittmer, 2006; Debbage, 2000, 2002, 2005; Forsyth, 2006; Wheatcroft, 1994).
Recent research has tended to focus on the “peculiar” regulatory regimes of international aviation and their ability to substantially constrain international air transportation operations. For example, Endo (2006) has pointed out that FDI in airlines is small because international regulations largely preclude a majority interest in other rival airlines. The implications of these international regulations for global tourist business operations is substantial and, therefore, this chapter now turns to an overview of the most recent research that has addressed this crucial issue.

According to Chang et al. (2004), one of the most serious barriers to air transportation liberalization is the airline ownership and control restrictions contained in nearly all bilateral Air Service Agreements. Chang et al. argued, “the nationality clauses contained in virtually all bilateral air service agreements (ASAs) have limited the companies designated to provide services to airlines owned and managed by nationals of the respective countries” (2004: 161). Chang et al. then proceeded to provide an overview of how ownership rules have evolved around the world. They pointed out that a free trade area for air transportation between the EU and the USA – the so-called Open Aviation Area (OAA) – has the potential to radically reconfigure global tourism business operations. “A report by The Brattle Group (2002) has estimated that an EU-US open aviation area would generate upwards of 17 million extra passengers, consumer benefits of at least $5 billion a year and would boost employment on both sides of the Atlantic” (Chang et al., 2004: 166). It is widely believed that as economies and industries are becoming more global in scope that multilateral agreements will replace bilateral agreements. Chang et al. make the case that an OAA agreement may serve as model for future multilateral agreements in other regions of the world.

Forsyth (2006) also argued that restrictive international aviation regulations remain a significant constraint on tourism growth even though it is widely accepted that aviation liberalization has the potential to reduce airfares and stimulate tourism growth. He argued that if aviation policy is a key determinant of the price and availability of air travel then it is also a key determinant of the aggregate pattern of origin–destination tourist flows. Forsyth argued that the economic benefits of international tourism have become “an important driver of aviation policies even where policy makers have not attempted to take a quantitative approach to assess how large the benefits and costs might be” (2006: 8). He illustrated how tourism benefits can be a substantive factor in shaping aviation policy through four case studies that included an analysis of charter airlines and the Spanish tourism boom; low cost carriers in Europe (e.g., EasyJet and Ryan Air); the Qantas-Air New Zealand strategic alliance proposal; and liberalization proposals for the USA–Australia route. He concluded that “while the tourism benefits to a country from aviation liberalization are not likely to be as large as benefits to home country travelers or the costs to home country airlines, they are sufficiently large to tilt the balance of benefits and costs of liberalization in many cases” (Forsyth, 2006: 3).

Bieger and Wittmer (2006) echoed these sentiments and suggested that a coherent airline policy and air access strategy is crucial to the effective strategic development of tourist destinations. They advocated that a systems model approach be utilized to fully analyze the interrelationships that exist between global air transportation networks and tourism. Bieger and Wittmer argued, “the timing and frequency of flights, together with the nature of the airlines offering services, can affect the quality of the tourists arriving” (2006: 43). By analyzing tourism as a complex system of supply and demand points linked by increasingly sophisticated transportation networks, Bieger and Wittmer suggest it becomes possible to see how different business models can shape visitor streams in different ways. For example, they indicated that attraction-based destinations that rely on a mix of business and leisure traffic tended to rely on network carriers
while resort-based destinations with a heavy mix of leisure travelers may be more dependent on low-cost carriers and charter airlines.

Other scholars have questioned the long-term viability of charter airlines in light of the intense competition from scheduled airlines. Buck and Lei analyzed the UK charter airline industry since it is the most competitive and largest in Europe. They found that “the five biggest charter airlines are controlled by the five major tour groups and dominate nearly 90% of charter traffic flown by UK airlines” (2004: 73). According to Buck and Lei, upstream and downstream vertical integration has helped the major tour operators to control the quality of the product and service, and also enabled charter airlines, such as Britannia, to effectively compete on price. They also point out that the charter airlines have also embraced some of the competitive strategies of low cost carriers by developing no-frills subsidiaries, offering more sophisticated yield management pricing strategies, and offering more seats through the Internet. Buck and Lei concluded that charter airlines would continue to play a significant role in the European market particularly for holiday destination markets requiring flights exceeding 2000 kilometers.

Whether the analysis incorporates scheduled airlines or charters, a major trend appears to be the development of multilateral airline-based alliances as a way to circumvent relatively restrictive aviation bilateral agreements. Gudmundsson and Lechner pointed out that “competition between airlines is less a matter of individual firms competing against individual firms but of airline groups against airline groups, or to be more precise – networks against networks” (2006: 153). They suggest that strategic alliance networks allow airlines to “exploit scope and density economies across geographical boundaries” (2006: 153) through a peculiar sort of “coopetition” relationship where airlines simultaneously both compete and cooperate depending on the issue. Gudmundsson and Lechner argue that competition results from the efforts of airlines to try to fill “structural holes” in the network market.

Rather than focusing on international regulatory regimes or route networks, Alamdari and Mason (2006) provided an overview of the key changes impacting airline distribution costs – which can account for up to 20% of total costs. They suggested that the major US airlines and some European countries have cut costs by simultaneously reducing or eliminating fees to intermediaries such as travel agents and increasing direct ticket sales through the Internet. One of the major implications is that travel agents have been forced to switch their business model from “being agents of the airlines to travel management service providers to travelers” (Alamdari and Mason, 2006: 122). Additionally, they point out that large online agencies – such as Expedia, Orbitz, and Travelocity – have benefited enormously from these changes with a 40% market share of the global online travel market in 2004. Alamdari and Mason indicated that these changes have been more widely embraced in the US where 37% of all tickets are sold online compared to just 16.7% in Europe and 10% in Asia Pacific. They also suggested that these titanic changes in distribution strategies have fundamentally impacted corporate customers, airlines, travel management companies, and global distribution systems in very different ways.

The international hotel industry: globally oriented competitive strategies

According to Milne and Pohlmann, “hotel chains have increased their overall share of global accommodation capacity considerably in recent decades, with the total number of rooms controlled by the world’s twenty-five largest companies virtually doubling every decade since the 1970s” (1998: 184). Of course, the larger international hotel chains have attempted to increase profits and market share and this has led to intense global competitive pressures. However, relatively
few studies have applied conceptual models to the international hotel sector with some exceptions to the rule (Dunning and McQueen, 1982; Gannon and Johnson, 1995; Go et al., 1990; Go and Pine, 1995; Littlejohn and Beattie, 1992.) Some of this early research suggested that more stringent decision criteria should be applied in analyzing globally oriented expansion strategies and that international lodging chains should expand their activities through equity sharing, management contracts and franchise agreements (Go et al., 1990.)

Although non-equity arrangements are a key strategy in the international hotel industry, Altinay (2006) has recently suggested that little research has been conducted investigating how international franchise partners are selected. He argued that the decision-making criteria used to select partners should be more clearly understood since the failure to select the “right” partner could have adverse monetary and strategic impacts on the holding company. Based on a case study of a major international hotel chain, Altinay concluded that there are three important contextual variables that determine how an international hotel chain selects its franchise partners. These included “the strategic context of the organization, different country markets and the nature of the business itself (franchise partnership)” (Altinay, 2006: 126). He argued that although franchising is perceived as a low risk strategy, international franchise negotiations could be difficult and time-consuming. Altinay recommended direct investment or joint venture partnerships as a more efficient expansion mode under certain conditions. He concluded by recommending that more research needed to be conducted in other parts of the world given that his own case study was limited to researching only the European, Middle East and African divisions of a major international hotel chain.

Pan (2005) analyzed the Asian market examining the market structure of various international tourist hotels in Taiwan and the impact of hotel location on profitability. Pan used the Herfindahl-Hirschman Index to facilitate a cross-sectional analysis of market concentration over time. He found that a positive relationship existed between hotel room market concentration and profitability although the strength of this relationship varied by metropolitan market. Pan also suggested that high levels of market concentration in Taiwan may have facilitated collusion and created significant barriers to entry, thus, making it difficult for new entrants to enter the marketplace. He argued that the lack of competition partly explains the high profitability of the major international hotel chains in Taiwan.

Johnson and Vanetti (2005) recently conducted an empirical study of the expansion strategies of international hotel chains in Eastern Central Europe with the goal of disentangling the major locational strategies employed by each chain. They suggested that two major trends included increases in the level of merger/acquisition activity in the international hotel industry and a proliferation of non-equity agreements. Johnson and Vanetti also argued that “in order to attain truly global distribution of brands and properties, non-equity methods through strategic alliances, franchising, and management contracts are the only means of reaching the required size for effective economies of scale and scope” (2005: 1095). These conclusions contradict Altinay’s findings who suggested that a significant equity investment may be more effective in certain situations. Of course, the significant role of non-equity arrangements in Johnson and Vanetti’s study may also represent an attempt by the international hotel chains to minimize risk since Eastern Central Europe is still perceived as a risky investment environment.

Johnson and Vanetti also found that the overall perceived competitive strengths of the larger international chains tended to be knowledge of guest needs, strategic planning, and reservation systems. Key locational attributes included the size and nature of the city in which the hotel is located, the infrastructural base of the city, and the perception of the region as a good place to conduct business.
They also pointed out that the smaller chains perceived a competitive disadvantage relative to the larger chains regarding brand name, the ability to form a network of strategic alliances and physical size.

Although it is clear that the international hotel industry has embraced a broad range of responses to the evolving competitive environment of the early twenty-first century, the development of new global partnership agreements and increasingly sophisticated locational strategies appear to be driving forces in the industry. However, the lack of an overarching theoretical framework makes it difficult to place the myriad forces of globalization in context.

Cruise tourism: economies of scale and ‘floating resorts’

The number of tourism researchers that have studied the international impact of cruise tourism is surprisingly small (Braun et al., 2002; Douglas and Douglas, 2004; Dwyer and Forsyth, 1998; Hall and Braithwaite, 1990; Hobson, 1993; Jaakson, 2004; Weaver, 2005). Even fewer scholars have examined cruise tourism from a global perspective although Wood (2000) and Dowling (2006) are notable exceptions to the rule.

Key themes in the rapid growth of cruise tourism have been the increased emphasis on both economies of scale and the marketing of ships as “floating resort destinations” – largely in an effort to compete directly with land-based resorts like Las Vegas and Orlando (Wood, 2000). The rapid increases in cruise ship passenger capacity have been made possible because the “big three” – Carnival, Royal Caribbean, and Princess – have been building ever larger “super-sized” ships. In 2006, the 160,000-ton Royal Caribbean Freedom of the Seas became the largest cruise ship in the world in terms of volume with 1800 rooms for up to 4375 passengers. Royal Caribbean is also working on a much larger ship, code named Project Genesis, which will measure 220,000 tons and have a capacity of up to 6400 passengers when it comes into service in 2009.

Given these significant changes, Wood (2000) has argued that the study of cruise tourism represents a new opportunity to better understand the complexities of international tourism and globalization. Wood pointed out that “if economic globalization means the increased mobility of capital and its spatial disembeddedness, cruise ships represent the ultimate in globalization: physically mobile; massive chunks of multinational capital; capable of being ‘repositioned’ anywhere in the world at any time; crewed with labor migrants from up to 50 countries on a single ship, essentially unfettered by national or international regulations” (2000: 352–353). According to Wood, an important example of the influence of globalization in cruise tourism is the way the major cruise ship companies use flags of convenience (FOCs) to circumvent the labor laws, taxes, and maritime regulations of the home country (usually the USA where most of the largest cruise company headquarters are located). Most of the major ships are registered in countries such as Panama, Liberia, and the Bahamas, in part, to keep labor costs low and avoid restrictive environmental policies. Additionally, Wood suggests that cruise ships are increasingly offering tourist experiences that are becoming detached from local culture and society as the ship itself becomes the destination and ports of call include “fantasy islands” that are frequently wholly privately owned by the cruise companies.

Unfortunately, little additional research has been conducted on globalization and cruise tourism although Weaver (2005) provided an important contribution in his analysis of cruise tourism and its connections to Ritzer’s (1993) McDonaldization thesis (also see the Chapter 33 by Wood in this Handbook). The central premise of the McDonaldization thesis is that certain key forces of change have facilitated globalization. These forces include the rationalization, standardization, and routinization of production that has been so successfully
applied to the US fast-food market. Weaver suggested that Ritzer’s thesis of sameness and economies of scale is one way to interpret the “carefully orchestrated nature of ‘pleasure production’ on board super-sized ships (and within other tourism-based environments)” (2005: 348).

Weaver also pointed out that while mass production and mass customization are at the heart of recent changes in the cruise ship industry, the McDonaldization thesis fails to account for the significant product diversity and the enormous range of options available to tourists on board ships like the Freedom of the Seas. He argued that the trend towards a post-Fordist style customization of the travel product should not be viewed as a process that is simply subordinate to Ritzer’s visions of standardization and sameness. “Instead, McDonaldization and post-Fordist customization should be viewed as processes that influence each other in a reciprocal fashion” (Weaver, 2005: 359). The ongoing debate about broader changes to “post-Fordist” and “postmodern” forms of consumption and production in the travel industry provide a useful departure point from which to build a broader theoretical framework within which we can place global tourist business operations. We will attempt to develop this broader research agenda in our concluding comments.

GLOBALIZED NEO-FORDIST FRAMEWORK?

Although it is now well understood that the international tourist industry is inherently heterogeneous and complex, many of the conventional models of tourism continue to fail to incorporate all the complexities of global tourist business operations into a broader theoretic. Although significant progress has been made in our understanding of how the international production system is shaped by the larger competitive environment, tourism scholars remain unclear about how spaces of tourist consumption connect back to the global production of tourist space. Part of the problem rests with our limited understanding of the supply-side of tourism particularly at the global scale.

Some tourism scholars believe that a neo-Fordist framework may have some application in this context. The term Fordist derives its name from Henry Ford’s automated assembly line and refers to the mass production of standardized goods that was the dominant form of industrial production for the past century. According to Ioannides and Debbage, “Neo-Fordism refers to the inherent contradiction of increased levels of industrial concentration and increasingly large-scale industrial operations, while simultaneously implementing increasingly sophisticated, brand, super-segmentation strategies and highly flexible travel-based products” (1998: 116). Super-segmentation has become commonplace in both the lodging and cruise ship industries as global tourist business operations attempt to personalize their travel products through niche marketing, design variations, and advertising. The tourist's role is changing from passive consumer to active participant in shaping and creating experiences both at home and during travel (e.g., downloading interpretive information on a destination or event onto mp3 players to be listened to at home or at the destination, posting accommodation critiques, travel accounts, and photos and video clips during or after the trip. Increasingly, web-based technologies (including social networking) are being used to directly involve consumers and employees in product development and marketing. By doing so, large tourism TNCs are able to even better “camouflage” their enormous economies of scale and the heavily industrialized and mass-produced nature of their products. The underlying assumption of a neo-Fordist perspective is that it does not assume a radical break from the mass marketing practices of the past but instead assumes a reciprocal relationship as recently suggested by Weaver (2005). Mass customization is the notion that
the holding companies of most global tourist business operations will continue to emphasize large-scale industrial organization and an essentially Fordist *modus operandi* while also offering sophisticated product differentiation. The globalization of finance, labor, capital, technology, and culture facilitates this paradigm as businesses are able to competitively locate materials, manufacturing locations and markets globally and establish cross-linkages for optimal production and sales.

What is less clear about this technologically evolving neo-Fordist picture is which structures and processes are best suited to exploit the “new” geography of global production in the international tourist industry. An increased emphasis on building complex inter-firm strategic alliance networks grounded in a variety of contractual agreements (equity investments, franchises, management contracts) is likely to continue apace but determining how tourist consumption patterns and new emerging web-based technologies shape the allocation of capital and the production of the tourist “experience” are crucial research questions (see Gretzel and Fesenmaier [Chapter 31] in this *Handbook*). For example, Urry (1990, 1995) has argued that there is a level of “spatial fixity” in the provision of tourist services because the tourist experience has to be produced and consumed at the same location. An improved understanding of how production and consumption interact in the increasingly mobile and technologically influenced local–global spaces is critical to a clearer understanding of what key forces will shape global tourism commodity chains in the future. Although the production and consumption of the tourist experience tend to occur simultaneously, they rarely occur at only one fixed point of supply because of the enormous complexity involved in any given commodity chain and the growing participation of tourists and employees in shaping production–consumption activities and experiences. A crucial research prior here is better understanding of how technology and the Internet empower consumer and worker participation in both shaping experiences and supply-side services through such online vehicles as trip advisor.com, blogs, prediction markets and social networking tools.

Other emerging issues include better understanding how climate change issues and the “greening” of global tourism business operations might shape tourist demand and service supply. For example, in early 2008, Virgin Atlantic Airways conducted a successful test flight of a jumbo jet that was partly powered by a biofuel made from babassu nuts and coconut oil as part of a joint project with Boeing and General Electric. Virgin Airlines\(^2\) is exploring ways to minimize the airline’s carbon footprint by developing sustainable next-generation oils, while others are exploring innovations in jet engine design to reduce fuel consumption, noise, and pollutants (Wald, 2008). Left, unanswered and lagging in research exploration, is the question of whether empowered consumer participation can substantially influence the greening of the travel industry whereby consumers explicitly seek out those more “sustainable” travel products.

What is certain is that global tourist business operations will continue to play a growing role in facilitating origin-destination flows across the world even in an environment where external shocks such as wars, hurricanes, and terrorist attacks have the potential to substantially disrupt tourist activities (Evans and Elphick, 2005.) A good example is the recent competitive strategies of some of the largest US airlines. Even in a post 9/11 era, many US airlines now, ironically, view international markets as a major avenue for profitable growth and a way to avoid the brutal competition and fiscal hardships of the US domestic market. One potential end result of the new emphasis on international flights may be increased tourist volume in the North Atlantic market as a consequence of this new competitive strategy particularly with the establishment of the USA–EU Open Aviation Area beginning in April 2008.
Overall, it is clear that substantial progress has been made in our understanding of global tourist business operations since the publication of the *Tourism Management* journal’s special issue on Tourism and Transnationalism in 1990. We remain impressed by, and excited about, the recent efforts of many tourism scholars. However, more work needs to be done. Tourism scholars need to be more actively engaged in supply-side issues and developing broader theoretical frameworks that can help unravel the complexities of the international tourist industry, particularly as they interact with processes of tourist consumption and the social relations of production.

**NOTES**

1 InterContinental Hotels created an online market in Fall 2007 to “harvest and prioritize ideas” from within the hotel’s 1000-person technology staff, so that they could tap this “creative class.” The winning ideas in this prediction market exercise in which more than 200 employees participated were suggestions to improve searching the company’s website to locate and book hotel rooms. Two projects have been initiated as a result of this, and the company is contemplating opening up prediction markets to InterContinental customers (Lohr, 2008: 7).


**REFERENCES**


