

## **Tourism hospitality and digital transformation: The relevance for society**

TAJEDDINI, Kayhan <<http://orcid.org/0000-0002-5087-8212>>, RATTEN, Vanessa and MERKLE, Thorsten

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### **Published version**

TAJEDDINI, Kayhan, RATTEN, Vanessa and MERKLE, Thorsten (2019). Tourism hospitality and digital transformation: The relevance for society. In: TAJEDDINI, Kayhan, RATTEN, Vanessa and MERKLE, Thorsten, (eds.) Tourism, Hospitality and Digital Transformation: Strategic Management Aspects. Innovation and Technology Horizons . Routledge.

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# Tourism, Hospitality and Digital Transformation

## Strategic Management Aspects

INNOVATION AND TECHNOLOGY HORIZONS



Edited by Kayhan Tajeddini,  
Vanessa Ratten and Thorsten Merkle

ROUTLEDGE



## TOURISM, HOSPITALITY AND DIGITAL TRANSFORMATION

Innovation and technological advancements can be disruptive forces, especially for conventional business in the hospitality and tourism industries. This book is timely with its critical examination of such forces and how the two industries should strategize and respond to changes effectively. It examines a wide scope of topics, from environmental scanning, formulation, implementation and evaluation to the way managers make strategy choices for better organizational performance.

The book illustrates how companies can re-orient their strategies and appraise the effectiveness of the business; its key competitors; and how they should set business goals through various cases, i.e. different types of hospitality and tourism business from traditional hotels to Airbnb, and endeavors to provide strategic conceptual theories with real world application through such case studies.

Kayhan Tajeddini is Professor of Hospitality Strategic Management at Sheffield Hallam University, UK.

Vanessa Ratten is Associate Professor of Entrepreneurship and Innovation at La Trobe Business School, La Trobe University, Australia.

Thorsten Merkle is Professor at the University of Applied Sciences of the Grisons FHGR, Switzerland.

*Reference to this book chapter should be made as follows:*

*Ratten, V., Tajeddini, K., and Merkle, T. (2020). Tourism hospitality and digital transformation: The relevance for society. In K. Tajeddini, Ratten, V., Merkel, T. (Ed.), Tourism, Hospitality and Digital Transformation, Innovation and technology Horizons: 1-5. Routledge, USA: Taylor & Francis Group*

# 1

## TOURISM, HOSPITALITY AND DIGITAL TRANSFORMATION

### The relevance for society

*Vanessa Ratten<sup>a</sup>, Kayhan Tajeddini<sup>b</sup> and Thorsten Merkle<sup>c</sup>*

<sup>a</sup> *La Trobe Business School, La Trobe University, Australia*

<sup>b</sup> *Sheffield Business School, Sheffield Hallam University, UK.*

<sup>c</sup> *University of Applied Sciences of the Grisons FHGR, Switzerland*

### 1.1 Introduction

The global economy is undergoing a digital transformation made possible by the advances in information and communications technology (Huijbens & Johannesson, in press). The tourism and hospitality industry have been a major recipient of these changes both in terms of the types of businesses developed but also the services offered (Tajeddini, Ratten & Denisa, 2017b). Some of the most well-known new digital businesses such as Airbnb and Uber relate to the tourism sector. This makes digital transformation an important topic that will further change how we evaluate and use tourism services (Tsiotsou & Ratten, 2010). The aim of this book is to discuss how digital transformation is relevant for society both in terms of customer usage but also business development.

Digital technology can be classified into three main types: adaptive, ideal and potential. Adaptive technology change is based on social and market needs in a way that makes them more relevant to their citizens (Anggadwita, Laturlean, Ramadani & Ratten, 2017). These types of technology have established infrastructure but seek less reliance on government funding and to be more self-sufficient. For this reason, the digital technology adapts in order to have more independence and control of future applications. By focusing on high growth potential in tourism the adaptive technology can establish more value-added services, which helps stakeholders in tourism but also provides more flexibility with funding. Ideal technology involves new innovation that fits right into the tourism and hospitality industry. This means filling a gap in the market that was previously left unfilled by existing products or services. The technology is developed as a response to a need in tourism and hospitality services and matches the requirements of businesses in the industry. Potential technology focuses on anticipated needs in the future that are not met by current demand (Ferreira, Fernandes & Ratten, 2017). This means looking to the future as a way to predict change, but also to forecast innovations in tourism.

There has been rapid change in the way customers and business interact with each other in terms of the timeliness and relevance for communication (Ferreira, Ratten & Dana, 2017). Social media technologies such as mobile phone apps have been part of this change and have enabled customers to be co-creators in tourism experiences. Real time and instant communication are now possible in tourism services and this has further intensified competition in the industry. Large multinational tourism providers such as Marriott and Sheraton have invested much time and effort in developing and using digital technology. This is important particularly in terms of the internationalisation of services.

Whilst there has been an emphasis on the positive effects of digital transformation, there are also negative effects that need to be acknowledged. The tourism industry has a large number of small and medium sized businesses that enable change to occur on a frequent basis. Despite the resource constraints of these small businesses, they have been able to be creative in terms of services offered (Ratten, 2006). This has led to large tourism businesses imitating some of these innovations, but also capitalising on their potential. Creativity can occur in a number of different ways in tourism both through online booking but also with the location and type of accommodation services (Ratten, 2014). In the past, there was a time delay in terms of hotel booking but now with online instant feedback this has changed the nature of the industry. In addition, changing social demographics, such as the ageing population, have altered the type of hotel services needed. Whilst there has been a stereotype of digital innovators being young, this is not always the case as older people often have time and money to invest in digital innovation. Moreover, the rising middle class in emerging economies has meant a growth in interest about tourism. This is evident in countries such as Indonesia having a large increase in domestic tourism because of increased affordability.

In the future, the tourism and hospitality industry will continue to change as a result of digital transformation. There has been some discussion about the growing inequalities in society as a result of digital change that raises some interesting issues. For example, the increased population density in capital cities has meant other regions have lagged in development (Ratten & Ferreira, 2017). This has resulted in an exodus in population numbers of some regions to the more highly populated areas. In order to reinvigorate these lagging regions new tourism strategies have been introduced that focus on integrating digital experiences.

Digital change is necessary for a healthy community as generally in times of economic growth there tends to be a high percentage of entrepreneurship in the tourism industry. The main objective of digitalisation is to develop more integrated online services that can facilitate economic growth. This involves encouraging an attitude of self-reliance by facilitating creativity that then spurs more tourism start-ups. Some tourism businesses exploit entrepreneurship better than others by harnessing the collective creativity of individuals (Ratten, 2018). This enables the creativity to touch on the way a group of people can brainstorm ideas and derive novel solutions regarding tourism. To deliver successful outcomes there needs to be a focus on self-generated business ideas that are cultivated by community

interaction. The reality is that by definition tourism involve a group of people so when entrepreneurship is added creative outcomes will occur. However, there can be some confusion over the term tourism and hospitality as it can mean a range of businesses that include both small and large forms.

Growth in the research on tourism and hospitality has been fast due to the realisation that the environment is conducive to digital change. In the future, hopefully there will be more interest in digital transformation due to the positive association between the context of tourism and innovation. This means that there is ample opportunity for new research into digital transformation, which has the potential to change the field of tourism and hospitality. It will be useful for future research to focus on the impact of different forms of digital technology by examining their cultural and social affects. By building on prior research scholars can extrapolate current studies on digital development to provide more linkage to tourism and hospitality.

## 1.2 Overview of chapters

This book is a collection of research conducted on the topic of digital transformation in the tourism and hospitality industry. The second chapter titled ‘Digitalization in the hotel industry’ by Christian Buer provides a good overview about how digital technologies are transforming hotels. This is important as digitalisation is having a significant effect on the provision of hotel services. The third chapter titled ‘Change management and leadership in the fourth industrial revolution’ by Mark Beattie and Sharon Link Wyer focuses on digital transformation through the changes apparent in the fourth industrial revolution. In the previous industrial revolutions, the focus on the change was on different aspects such as automation but in the current industrial revolution it is on artificial intelligence and computing. This is interesting in a tourism context due to the new experiences consumers can have. The fourth chapter titled ‘Love is the bridge between you and everything: relationships of identity, experience, and benevolence to travelers’ loyalty and willingness to purchase’ by Pantea Foroudi and Reza Marvi focuses on the emotional aspect of digital transformation. Whilst there are technological aspects to digital change there are also associated emotional effects that need to be taken into account. The fifth chapter titled ‘Towards a typology of organizational agility for hotel industry’ by Mahlagha Darvishmotevali and Kayhan Tajeddini highlights the increased performance benefits from technological change. Agility is a way to measure performance but it also has an impact on efficiency in tourism services. The sixth chapter titled ‘The application of theories about capital structure: packing order, trade-off and signaling in the hotel units in Portugal’ by Aida Maria de Brito Martins, Joaquim Carlos da Costa Pinho and Graca Maria do Carmo Azevedo analyses effectiveness of technology in the hotel industry. This is important in bridging the gap between theory and practice regarding digital transformation. The seventh chapter titled ‘Do customers really matter? Effect of customer orientation on innovativeness: evidence from hotel industry in Poland’ by Marcin Olszewski,

Barbara Kowalczyk and Łukasz Widła-Domaradzki examines the reasons why customers like or dislike digital disruption. As more customers are becoming part of the co-creation experience it is useful to understand their thoughts on innovation. The eighth chapter titled ‘Destination functional attributes and tourists’ revisit intention to Sri Lanka’s Pasikuda: a critical role of destination brand equity’ by Mohamed Ismail Mujahid Hilal focuses on cultural aspects of technology change. This is important in analysing the role destinations have on technological innovation. The ninth chapter titled ‘Digital application: evidence from Zurich Airport’ by Thorsten Merkle, Kayhan Tajeddini, Sven Mostberger, Sarah Rohner, Kira Schmid and Eleanor Shaw stresses the role of transport hubs in digital change. The increase in time efficiency of airport services made possible by technology is discussed in this chapter. The tenth chapter titled ‘Innovation in tourism destination marketing’ by Gretel Qumsieh-Mussalam and Kayhan Tajeddini focuses on advertising made possible by digital services. This helps stress the role technology has on changing the tourism marketing experience. The eleventh chapter titled ‘Surf tourism knowledge system: a conceptual approach’ by Roberto Martín-González, Ana María Luque- Gil and Kamilla Swart focuses on the surf industry as a recipient of technological change. This industry has incorporated many digital innovations that have further fueled the growth of the industry.

### 1.3 Conclusion

The chapters in this book contribute to a better understanding of digital transformation in the tourism and hospitality industry. Digital change has resulted in increased competitiveness of these industries and spurred the growth of new start-ups. Each of the chapters in this book stress the need to consider digital innovation as a way of further facilitating other innovations. The various approaches and topics in each of the chapters provide a holistic understanding of what digital transformation means and how it will affect the tourism and hospitality industry.

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