

COLLABORATIONS IN TOURISM SUPPLY CHAIN: A TRANSACTION COST ECONOMICS PERSPECTIVE

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Abstract

This study explores inter-firm collaboration in a tourism supply chain via transaction cost economics (TCE) using a single case-study method. We focus on supply chain collaboration between a hotel, and its food and beverage suppliers. The transaction costs found consist of the search cost and cost of quality checking. Search cost exists due to bounded rationality of the firm. This is influenced by asymmetric information. The cost of quality checking incurs because the firm perceives that its suppliers may behave opportunistically. It is revealed that trust could reduce transaction cost of the tourist operators.

Keywords: *Supply Chain Collaborations, Transaction Cost Economics, Hotel Management*

0. Introduction

Adversarial relationships are common practice in the tourism industry (Sinclair and Stabler, 1997). Supply chain management (SCM) often advocate a collaborative approach; as it is at the supply chain level that competition acts, not at the firm level (Christopher, 2005). However, collaboration between firms in the Tourism Supply Chain (TSC) is considered more complex than those in the manufacturing and retail supply chains due to its disparate suppliers and short product life (Zhang et al., 2009). Moreover, to deliver tourism products, dealing with customer's emotions and feelings is inevitable (Buckley, 1987). Because of this complexity, managing collaboration in the tourism supply chain is challenging. Even though there is a trend of supply chain collaboration in the tourism industry such as in Hilton Hotels Cooperation (Hilton Supply, 2009), it was found that academic research does not keep pace with this trend (Zhang et al., 2009; Piboonrunroj and Disney, 2009).

0. Tourism supply chains

A TSC is a complex system (Page, 2009). There are four main parts in a generic TSC, three compulsory and one optional. Three main parts are tourism service providers or first-tier suppliers (e.g., accommodation or passenger transport), input providers or second-tier suppliers (e.g., food and beverage suppliers) and the tourists or customers. The optional party of TSC are the intermediaries i.e., travel agencies and tour operators (Johnston and Clark, 2008). Tourists can purchase combined tourism products directly from tour operators or via travel agencies. However, tourists also have an option to arrange trips themselves by separately purchasing tourism products such as airline tickets and hotel rooms. Therefore, TSC could also be viewed as a combination of various supply chains e.g., accommodation, passenger transport or food supply chains.

Furthermore, another special characteristic of TSC is the customer flow. Unlike manufacturing or retail supply chains, final products of TSC are produced and delivered to the customers continuously along their trip (Piboonrunroj and Disney, 2009). Figure 1 illustrates supply chain components of a generic TSC, where the input providers supply the tourism service providers the raw materials or intermediate goods, so that tourism services can be delivered to tourists. Furthermore, activities in TSC can also be divided into three distinct phrases; the period before, during and after the trip.