Tourism Industry in a Depressed Economy: Agenda for Firms’ Survival Behaviour

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Abstract:
The paper examines the survival behavior of firms in the tourism industry in the context of business environmental hostilities of a depressed economy, as the case in Nigeria. It adopts a descriptive and prescriptive approach on characteristics of the tourism industry and also on the depressed state of the Nigerian economy, to prescribe survival behavior of firms. It contended that the tourism industry provides psycho-social luxury, thus almost only attends to the psychological and social ostentability of the customer. Also, it views the depressed economy as characterized by economic hardship, which tends to restrict spending, dominantly on economic rationality. This places the services of firms in the tourism industry on marginal consideration mostly on household spending during economic depression. The attendant survival tendency of the firm thus becomes critical. The paper therefore prescribed a broad spectrum of strategies centering on cost, price, service and promotion restructuring to enhance firms’ resilience.

Keywords: Depressed economy, Firms’ resilience behavior, Tourism industry, Survival strategies

Introduction:
There is every indication that the Nigerian economy is grossly depressed. The symptoms and manifestations are betrayed in continuously rising inflation, unemployment, hunger, corporate mortality, foreign exchange unfavourable imbalance, misery index, high interest rate, rapidly decomposing moral values, weak purchasing power of the household, etc. (Nwinee, 2017; Eketu, 2017; Perkins et al 2001 and Ogbonna, 2004).

All these negative socio-economic indices have combined to affect the economic decision model of both the household and the firm, as these economic units seek to adjust for survival. Occasioned by this adverse economic terrain, economic rationality of both investment and consumption spending tend to be very strict, to suit the reality of the circumstance. The household demonstrates such economic consciousness to rationalize its spending on existential necessaries (Ogbor, 2009; David, 2004; and Moutinho, 2010). As such, spending is dominantly skewed to trips to and from work, and other unavoidable trips. The restricted spending is at the disfavor of social and psychological needs, where the satisfaction is basically ostentatious, impulsive, luxurious and uninevitable (Ogbonna, 2004; Perkins et al 2001; and David, 2004).
This unfavourable economic climate appears to affect firms in the tourism industry more adversely than firms in other industries. For instance, services such as: event management, lodging, commercial accommodation, pleasure trips, holidaying, cinema, clubbing, cocktail, expensive food and beverage can be avoided or drastically reduced. This is the circumstances facing the firms in the tourism industry in Nigeria. The statistics shows that patronage has drastically declined, and marginal firms in the industry are closing shops at unprecedented rate. This paper contends that restructuring of firm behavior to adapt their resilient capacity is inevitable for survival. Thus, a remedial prescription is made on cost, price, service, and promotion restructuring.

The Depressed Economy in Nigeria:

Economic depression is not a steady or terminal condition. It is a dynamic adverse economic circumstance that may get better or worse. Economic depression is an economic condition where economic activities operate at a very low ebb, signifying a drastic decline state, and characterized by high rate of inflation, unemployment, high exchange rate, high misery index, high corporate mortality rate, all resulting to adverse socio-political behavior. (Nwinee, 2017; Ahiazu and Asawo, 2012; Perkins et al, 2001 and Moutinho, 2010).

Based on such characterizations, it is rather parsimonious to state that the Nigeria economy has manifested clear indications of depression or near depression. For instance, the inflation rates for all times (year on change) in January, February and March 2017 were 18.72, 17.78 and 17.26, respectively. The GDP annual growth rate for the same period indicate a negative figure. The misery index proof is 49.5% - this indicates 41.5% above the tolerable 8% by United Nations standard. This standard of misery found expression in: lending rate at 30%, unemployment rate at 13.9%, underemployment at 19%, poverty level at 62.6%; and inflation at all time high at 19% (www.tradingeconomis.com/nigeria/gdp.growth-annual).

With all these manifestations, economic behavior of the firms (in terms of investments) and of the household (in terms of consumption) shrinks to take care of necessities. At this point saving is at the point of being very close to zero. The buying behavior of the household is restricted to necessities, which tourism and hospitality are not party. To encourage the purchase of leisure and recreation services, the marketing agenda of the firms in the industry must be reprogrammed adaptively.

The Tourism Industry:

The tourism industry is a composite set of socio-economic activities that tend to overlap therefore, inevitably cutting-across a broad spectrum of industrial activities (Wagen, 2002 and Ng’etich, 2014). Specifically its core service is the provision of recreation and leisure (Dictionary of Leisure, Travel and Tourism, 2008; and Page & Connel, 2006). To achieve such, food and beverages, care, accommodation, transportation, entertainment, banking, insurance etc are inevitable. This implies that tourism activities triggers the fulcrum upon which a whole lot of economic activities in other industries are activated (Eketu, 2017).

However, because ancillary activities to tourism are triggered by the purchase of recreation and leisure services, during depression as the case in Nigeria, the shrinking demand for tourism services has resulted to multiple vicious economic manifestations. The resultant fall in the purchase of tourism products further re-depress the economy, leading to further unemployment, underemployment, inflation, misery, high cost interest rate, crime, hunger, etc. In the context of these adversities, the tourism industries can only survival to perform its fulcrum role through intensive intervention, with the firms redesigning their agenda for resilience.

Firms Survival Behaviour:

The survival of the firm is one of the most critical long-run goal of business entities. This transcends the short-run objectives, particularly profitability (Ottih, 2000; and Kazmi, 2006). Firm survival during economic depression rests on sustenance of at least skeletal operation to avoid absolute closure. Fubara (2006) suggested turnaround, divestment, and concentric strategies to sustain the economic relevance of the firm, depending on the scope, type of business, and peculiar circumstance of the firm or the industry.

Generally, statistics has shown that during adverse economic climate, firm resort to redundancy, laying of marginal workers, restriction of operations, and
outsourcing or contracting (Fubara, 2005; Fubara, 1986; and Kazmi, 2006). However, it is tactful for the firm to seek for new customers that are not critically vulnerable to the current economic adversities. Most time adopted to generate current through synergic collaboration.

All these behaviours are defined in the firm’s proactive and reactive tendencies found in organizational change and innovation (Eketu, 2012). Eketu and Nwuche (2014) recommended vertical integration strategy for firms in the hospitality industry to cultivate customer patronage, and also to mitigate the effect of high running costs. In whichever direction the firm’s survival behavior takes, it may be planned, revolutionary, strategic, or operational change, to adaptively contend with the environmental circumstances in the industry (Kazmi, 2006; Middleton and Cleark, 2001).

The survival behavior of the firm thus represents a negative entropic tendency to negate the possibility of mortality. The implication therefore, is that an indifferent behavior of the firm in time of harsh business climate may naturally expedite the entropy of the firm. The on-going discourse represents the emerging contentions in firm’s resilient behavior, where the enterprise acquires the resistant capacity, in spite of perturbations in the business environment. Resilience therefore, is the business enterprise ability to bounce back irrespective of the negative circumstance it may encounter in its operations (Kazmi, 2006 and Ahiauzu and Eketu, 2015).

In a study on innovation and corporate resilience of public university, Ahiauzu (2015) found that firms’ situation awareness; keystone vulnerability; and adaptive capacity are all resilient capacities that are enhanced through innovation. Also, Ahiauzu and Eketu (2015) specifically argued that product/service innovation enhance the resilient tendencies of firms. It thus, presupposes that resilient behaviors are all tendencies towards survival, as a negative entropic firms’ culture and instincts to resist permanent failure.

**Conclusion and Implications:**

The depressed economy is characterized by drastic decline of customer patronage of tourism services, because it is a marginal spending need. The survival of the firms in this industry requires strategies to encourage patronage. Also, during economic depression, tourism firms found it difficult to recover their costs, as revenue decline sometime below break-even point. To survive, it becomes expedient for the firms’ strategies to be both costs and customer focused.

Customer focused strategies may take the form of customer cultivation rather than customer identification (Eketu and Nwuche, 2015). This involves vertical integration of service provision, where hotels create or collaborate with event management consultants to create events that will always bring tourists together in a particular vicinity or destination. This automatically creates tourists need such as: accommodation, laundry services, entertainment, food, beverages, swimming and car hiring services, which the hotels should be ready to provide. Also, marginal customers, who are the mostly likely category to decline their patronage can be encouraged through strategic incentive planning. For instance, a lodger who lodge for three days, the fourth day may be discounted. Reduction of room rates, these discount measures may induce patronage from marginal customers. Rebate on car hiring services may be attached to lodging to induce repeat patronage. Customer haunt marketing programmes on commission basis as done in banks may be gainful to cultivate customer patronage.

Again, weekend discount incentives plan may be introduced for customers to pay less for service consumed during weekends. This will go a long-way to encourage patronage. Services offered like swimming, gym etc may be given free for designated days of the week. This will drawn both potential and marginal customers to tourism facilities, and as such, will make customers spend on other services like bar services, casinos, food services, saloon services, laundry services, etc. Reduced rent for event halls may be attached with reduced room rates for event participants, to secure patronage for both facilities.

On costs focused strategies, because of the high overheads and operational costs of tourism services provision, the need to drawn up cost reduction strategies become very necessary for survival, during economic depression. For instance, the cost implication of operating a bar, or hotel is such that even when there is only one customer, most costs remain the same, not varying with the number patronage. This becomes even more critical during economic downturn. Thus, cost can be reduced through cost restructuring plans, involving
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downsizing of marginal staff, suspension of marginal services, particularly those with predictably low patronage. Also, huge advertisement cost particularly, in expensive media may be curtailed; rather a personal door to door promotion approach targeted at individuals and corporate customers may be more gainful.

Industries are different not only in their customer needs, but also in their customer behavior, product and service offerings, and in the impact of the environment on their operations. This presupposes that firms in different industries may react differently to common environmental interventions. This is the situation with firms in the tourism industry in the context of economic perturbation defined as economic depression. Considering the nature of tourism customer behavior, nature and category of tourism service, and class of customer needs for tourism service, it is expedient that tourism firms adaptive and innovatively respond to the characteristics of economic depression, though effective survival behavior, to negate possible premature entropy.

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