Tourism, development, dependency: the “Global Commodity Chains” approach

Outline of the session

1. Global Commodity Chain – Global Value Chain Approach
   - Definitions and main issues;
   - ...and the “World-System Analysis” (I. Wallerstein);
   - Implications for development (core vs. peripheral State & production processes).

2. Is this approach applicable to tourism sector / studies?
   - Tourism: consumption or production?
   - What is the tourism product?
   - Which are the production inputs?

3. Case studies
   - Hotel Chains
   - Andalusia
   - St. Lucia
   - Cuba

4. Further issues:
   - What about labour in the tourism industry?
   - Tourism, development and dependency within the capitalist world-system
Global Commodity Chains: A definition

‘a network of labor and production processes whose end result is a finished commodity’.

A GCC consists of sets of interorganizational networks clustered around one commodity or product, linking households, enterprises, and states to one another within the world-economy. These networks are situationally specific, socially constructed, and locally integrated.

The greatest virtue of a commodity chain is its emphasis on process.

G. Gereffi, M. Korzeniewicz, “Commodity Chains and Global Capitalism” (1994)

“a whole range of activities from primary production to final consumption and the linkages binding them”
Global commodity chains: the main questions

- “Where”: why particular processes or stages of production take place in specific locales?
- “How” is the industry in question organized and governed?
- What implication for value extraction? Where the economic surplus goes?
- Identify the power relations within the chain.
Wallerstein’s World-System Analysis

In World-System analysis the unit of analysis is not the nation-state, but a “world-system”, i.e. a number of different political aggregates (States), which are integrated and connected to each other through a division of labour and obey to systemic rules. There is not an unitary political structure.

The contemporary global world-system is defined “capitalist world-economy”.

The world-system is characterized by a division of labour between core and peripheral productive processes.
Unequal exchange: core productive processes are advantaged.
A “core productive process” is characterized by a rate of relative monopoly.
A “peripheral productive process” is characterized by a high rate of competition.

In rich countries (core states) are concentrated productive processes which are relatively protected by monopolies.

The history of capitalism is a succession of several cycles of monopoly – demonopolization

States are important in that “strong” states are able to protect their own firms and entrepreneurs, by deciding if and under which conditions they can goods, capital and labour can cross their borders.
At the same time “core” states can exert pressures on “weak” states, with the aim of favouring “core” firms.
Global commodity chains: what is under analysis

• Space dispersion of the production;
• Input / Output structure at distinct nodes;
• The Governance of the chain:
  – Producer-driven commodity chains;
  – Buyer-driven commodity chains.
• Upgrading possibilities for companies and regions.
Governance forms: Producer-Driven vs. Buyer-Driven Commodity Chains

Table 1 Characteristics of different commodity chain governance forms

<table>
<thead>
<tr>
<th></th>
<th>Producer-driven Commodity Chains</th>
<th>Buyer-driven Commodity Chains</th>
<th>Contract-driven Commodity Chains</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drivers of global Commodity Chains</td>
<td>Industrial capital</td>
<td>Commercial capital</td>
<td>Commercial capital</td>
</tr>
<tr>
<td>Core competencies</td>
<td>Research and development</td>
<td>Design; Marketing</td>
<td>Marketing; Operation</td>
</tr>
<tr>
<td>Barriers to entry</td>
<td>Economies of scale</td>
<td>Economies of scope</td>
<td>Economies of scale</td>
</tr>
<tr>
<td>Economic sectors</td>
<td>Consumer durables; Intermediate goods; Capital goods</td>
<td>Consumer non-durables</td>
<td>Tourism</td>
</tr>
<tr>
<td>Industries</td>
<td>Automobiles; Computers; Aircraft</td>
<td>Apparel; Footwear; Toys</td>
<td>Hotel</td>
</tr>
<tr>
<td>Ownership of manufacturing firms</td>
<td>Transnational firms</td>
<td>Local firms</td>
<td>Mix of transnational firms and franchises</td>
</tr>
<tr>
<td>Organisation of production</td>
<td>Integration</td>
<td>Externalisation</td>
<td>Externalisation</td>
</tr>
<tr>
<td>Main network links</td>
<td>Investment-based</td>
<td>Trade-based</td>
<td>Contract-based</td>
</tr>
<tr>
<td>Predominant network structure</td>
<td>Vertical</td>
<td>Horizontal</td>
<td>Horizontal</td>
</tr>
</tbody>
</table>

Sources: Adapted from Gereffi (1999: 8); Clancy (1998)
Governance forms: 
Producer-Driven vs. Buyer-Driven Commodity Chains

Figure 1
The Organization of PDCs and BDCs

1. Producer-driven Commodity Chain

![Diagram of Producer-driven Commodity Chain]

2. Buyer-driven Commodity Chain

![Diagram of Buyer-driven Commodity Chain]

Note: Buyers sometimes are also retailers with their own brand names, such as The Gap and The Limited
Source: Gereffi (1994)
“Upgrading”

How can a firm or a region improve its position in the global networks of production?
How can a firm or a region move into relatively higher added value activities?
Development strategy...

• product upgrading (more sophisticated product lines)
• process upgrading (transforming input into outputs more efficiently through superior technology)
• intra-chain upgrading (acquire new functions in the chain, e.g. moving from production to marketing)
• Inter-chain upgrading (when a firm applies the competence acquired in a particular function of a chain to a new sector).
2. Is the GCC/GVC approach applicable to services and tourism?

Yes...

- Tourism: consumption and production!
- Tourism is one of the most important (and constantly growing) industries in the world;
- Internationalization: it is completely globalized;
- It has been considered as one of the tools for the development of third world countries;
- Transnational Corporations have come to predominate in hotels, airlines, travel agencies, tour operators, restaurant chains.
- Technology (especially information technology) has altered the nature of the industry (es. Reservation systems)
2. Is the GCC/GVC approach applicable to services and tourism?

But...
Mapping the tourism commodity chain is difficult for two reasons.

• the sequential and spatial nature of tourism differs from that of manufacturers: production and consumption take place simultaneously and in the same locale;

• tourism does not technically constitute one single industry; services and goods ranging from accommodation to selling handicrafts; the tourism product consists in both services (e.g. hotel and airlines) and material goods.

Nonetheless: GCC approach can be used in the domain of tourism with the aim of understanding the governing structure of this industry at the global level; power and exchange relationships.
What is the tourism product?

Some scholars argue that:
Tourism as an industry composed of a diverse array of goods and services. Tourism is not a single product, but a wide range of products and services that interact to provide an opportunity to fulfil a tourist experience that comprise both tangible parts (hotel, restaurants, air carrier), and intangible parts.

Other scholar (e.g. Urry) answer that...
The tourism product is the **experience**! The fact that we look at, or gaze upon, particular objects.
Tourism product is not an assemblage of different services provided while on holiday, but the overall experience that is sold to the client.
Intangible dimensions of the tourism product.
The issue of interchangeability and outsourcing

The production and the consumption of the experience (the product) occur at the same location.
This minimises the possibility of taking advantage of locational or site-specific advantages by transferring / deplacing / outsourcing the site of production to cheaper, more cost-effective locations,

Nonetheless, many destinations (e.g. the “3S” destinations: sea, sun & sand) are strongly interchangeable.

This feature counteracts the advantage for destinations, unless a strong destination brand can be developed. It is therefore essential for destinations to create a strong (and even) unique brand in order to achieve a degree of independence from larger processes in the tourism sector.
Which are the production inputs in tourism industry?

Three main inputs:

- *Marketing and image*;
- *Place infrastructure*;
  (All places that hope to attract tourists must build an infrastructure in which to move and house them; The infrastructure of place decisively influences and determines the experiences of tourists).
  Two types:
  - Fordist tourist infrastructure
  - Post-Fordist tourist infrastructure
- *Labour*
  - Tourist entrepreneurs;
  - Wage Workers.

Case studies: The Hotel Industry

Tourist class hotels are dominated by TNC-oriented chains;

The relationship between hotel TNCs and individual hotels looks very similar to “buyer-driven” commodity chains. Franchise agreements usually include use of the chain’s name, trademark and other services, such as access to toll-free reservation system, in return for a fixed fee and percentage-based charges.

The result is control of individual hotels by TNCs with little or no costs or significant risk to the parent firm. The hotel TNCs occupy the most lucrative links of the commodity chain.

Difference:

• In Buyer-driven chains, core firms subcontract manufacturing and then buy unfinished products by suppliers, and add value-added activities such as design and marketing.
• Differently, the TNC hotel chain sell the name and services through franchising and licensing to local producers. What they sell is frequently an intangible asset.

(Clancy proposes the concept of “contract-driven chains”)

Power and control held by hotel TNCs is tighter than in buyer-driven chains.
Profit tend to accrue mainly to core firms. Producers find themselves in a captive position.
The TNC gain control over defining the destination.

“Sun and sea” destinations are particularly vulnerable because of easy substitutability.

Table 3  World’s largest hotel chains, 1995 (based upon room offerings)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Firm</th>
<th>Country</th>
<th>Rooms</th>
<th>Hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>HFS, Inc.ª</td>
<td>USA</td>
<td>509,500</td>
<td>5,430</td>
</tr>
<tr>
<td>2</td>
<td>Holiday Inn WW</td>
<td>USA</td>
<td>369,738</td>
<td>2,096</td>
</tr>
<tr>
<td>3</td>
<td>Best Western International</td>
<td>USA</td>
<td>282,062</td>
<td>3,462</td>
</tr>
<tr>
<td>4</td>
<td>Accor</td>
<td>France</td>
<td>268,256</td>
<td>2,378</td>
</tr>
<tr>
<td>5</td>
<td>Choice Hotels</td>
<td>USA</td>
<td>249,926</td>
<td>2,902</td>
</tr>
<tr>
<td>6</td>
<td>Marriott Corp.</td>
<td>USA</td>
<td>198,000</td>
<td>976</td>
</tr>
<tr>
<td>7</td>
<td>ITT Sheraton</td>
<td>USA</td>
<td>129,201</td>
<td>414</td>
</tr>
<tr>
<td>8</td>
<td>Hilton Hotels Corp.</td>
<td>USA</td>
<td>90,879</td>
<td>219</td>
</tr>
<tr>
<td>9</td>
<td>Promus</td>
<td>USA</td>
<td>88,117</td>
<td>669</td>
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<tr>
<td>10</td>
<td>Carlson/Radisson/SAS</td>
<td>USA</td>
<td>84,607</td>
<td>383</td>
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<tr>
<td>11</td>
<td>Hyatt Hotels</td>
<td>USA</td>
<td>79,483</td>
<td>172</td>
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<tr>
<td>12</td>
<td>Inter-Continental</td>
<td>UK</td>
<td>61,610</td>
<td>179</td>
</tr>
<tr>
<td>13</td>
<td>Hilton International</td>
<td>UK</td>
<td>52,063</td>
<td>161</td>
</tr>
<tr>
<td>14</td>
<td>Forte Hotels</td>
<td>UK</td>
<td>49,183</td>
<td>270</td>
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<tr>
<td>15</td>
<td>Grupo Sol Melia</td>
<td>Spain</td>
<td>46,825</td>
<td>185</td>
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<tr>
<td>16</td>
<td>Club Méditerranée</td>
<td>France</td>
<td>45,205</td>
<td>150</td>
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<tr>
<td>17</td>
<td>New World/Renaissance Hotels</td>
<td>Hong Kong</td>
<td>45,104</td>
<td>140</td>
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<tr>
<td>18</td>
<td>Westin</td>
<td>USA</td>
<td>40,074</td>
<td>82</td>
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<tr>
<td>19</td>
<td>Société du Louvre</td>
<td>France</td>
<td>32,926</td>
<td>511</td>
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<tr>
<td>20</td>
<td>La Quinta Inns</td>
<td>USA</td>
<td>30,000</td>
<td>240</td>
</tr>
</tbody>
</table>

# World’s largest hotel chains (2018)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Firm</th>
<th>Country</th>
<th>Hotels</th>
<th>Rooms</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Oyo</td>
<td>India</td>
<td>More than 10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Wyndham Worldwide</td>
<td>USA</td>
<td>9,221</td>
<td>697,607</td>
<td>40,000 employees; 21 brands in 75 countries</td>
</tr>
<tr>
<td>3</td>
<td>Jin Jiang International</td>
<td>China</td>
<td>7,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Marriott International</td>
<td>USA</td>
<td>6,717</td>
<td>1,286,723</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Choice Hotels</td>
<td>USA</td>
<td>6,627</td>
<td>525,573</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Hilton Worldwide</td>
<td>USA</td>
<td>5,456</td>
<td></td>
<td>Including Waldorf Astoria and other 12 brands</td>
</tr>
<tr>
<td>7</td>
<td>InterContinental Hotels Group</td>
<td>UK</td>
<td>5,431</td>
<td>809,889</td>
<td>Brands: Holiday Inn...</td>
</tr>
<tr>
<td>8</td>
<td>AccorHotels</td>
<td>France</td>
<td>4,283</td>
<td></td>
<td>Sofitel...</td>
</tr>
<tr>
<td>9</td>
<td>Best Western Hotels</td>
<td>USA</td>
<td>4,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Huazhu Hotels Group</td>
<td>China</td>
<td>3,656</td>
<td>372,000</td>
<td></td>
</tr>
</tbody>
</table>
Case Studies: UK package tourism to St. Lucia

A typical ‘sun, sea and sand’ (3S) destination;
St. Lucia is dependent on package tourism (35% US, 27% UK);
Methodology: 20 semi-structured interviews;

The actors of the commodity chain are:
- Tour operators (based in the UK; standardization of packages & economies of scale; dominant position; control over the chain);
- Hotels (increased competition and reduced margins; dependent on mass tour operator);
- St. Lucia Government
- Airlines

The chain’s governance structure: vertical integration

See the case of the Virgin Travel Group: a vertically integrated group, which include a scheduled airline (Virgin Atlantic), a mass tour operator (Virgin Holidays), and a retail travel agent (Virgin Travelstores).

In 2002 Virgin Atlantic accounted for 45% of all UK tourists to St Lucia (including tourists arriving on cruise ships) and Virgin Holidays provided St Lucia with 27–31% of UK tourists.
This high market share leaves the Virgin Travel Group in a strong negotiating position vis-à-vis hotels and destination agencies.

The Virgin Travel Group case highlights the vulnerability of tourism destinations.

The structural organisation of the chain is one of the most important aspects of the global Commodity Chain approach, as it provides a foundation on which to base an analysis of power distribution. It is also useful to examine the location of the nodes in order to facilitate the detection of imbalances in the production and distribution of the commodity. As Figure 5 demonstrates, the general structure of UK package tourism to St Lucia can be divided into three types of linkages. Primary linkages comprise the major components (primary nodes) of the package (accommodation, transportation etc.), whereas secondary linkages are connections not directly involved in the production or distribution process of the package tour or where one company has outsourced certain activities, such as representation or sales and marketing, to secondary nodes. The third type of linkage is the optional link, which occurs when some companies use an intermediary node, rather than directly linking to the following node in the chain. Reasons for this variation in the use of intermediaries can be due to different

**Figure 5** Commodity Chain structure of UK package tourism to St Lucia
Case Studies – Andalusia

8 million international tourists (in 2008). The main holiday destination for Spaniards.

Two main types of tourism: sun and sand tourism; cultural and business tourism.

Methodology:

- Qualitative interviews to different actors (representatives of associations; hotel firms; wholesale-retail travel agents)
- Quantitative survey: 770 respondents – 100 in tourism sector (69 hotels, 31 transport); plus other service sectors.

Two main results from the qualitative research

1) The tourism typology determines the type of governance of the GVC:
   - Sun and Sand Tourism: captive value chains – power is exerted directly by lead firms (vertically integrated tour operators) on suppliers (hotel and travel agencies).
   - Cultural and business tourism are mostly Modular value chains.

2) In tourism GVCs some local enterprises operate in several GVCs simultaneously:
   Hotels distribute their products through both retailers (travel agencies) and direct contacting with tourist.

Results from the quantitative survey:

1) Tourist firms show lesser propensity to upgrading than other service firms
2) Firms located in 3S tourism showed lower level of upgrading strategies than culture and business tourism;

Case Studies: Sex Tourism in Cuba

John Urry, “Working under the tourist gaze”

- The consumption of tourist services cannot be separated off from the social relations within which they are embedded.
- “Immense problem of managing”: how “to ensure the service provided by the often relatively poorly paid service workers is appropriate to the almost sacred quality of the visitors’ gaze”?
  - Delocalization processes are not possible;
  - Spatial proximity between producers and consumers of the services;
  - Producers of the services have to perform to ensure that the enacted services are exciting and memorable to the tourists consuming them;
  - Service producers have to conform their performance to the (genderized, ethnicized…) cultural stereotypes of the specific tourist group (gaze)
Tensions concerning labour in tourism

Tourism as capitalist industry, aimed at **profits**, which needs a cheap and flexible workforce...

...and Tourism as “emotional work” (Hochschild), as “aesthetic labour”, based on “moments of truth” and “bodily capital”, which needs a workforce which is part of the tourist experience...

(similarities with domestic labour)

The **real “labour skills” are often not recognised with formal credentials** – which encourages the market to underprice such skills...

Moreover, much of the labour force is casual, highly feminised, part of migrant groups (or indigenous minority groups), in “secondary labour market” conditions, and very flexible.

How labourers and managers cope with this tension?
Labour: A problem for the management...

- If what is actually consumed is the particular moment of delivery of the service...
- And if service deliverers (labourers) are low-paid workers...

How can management ensure that these moments work out appropriately – without an undesirably intrusive system of supervision??

Each time in which a customer comes into contact with an employee, there is a “moment of truth”... embedded in a social interaction

The quality of a service can be contested...
Migrant labour in the hospitality sector in Venice
Francesco E. Iannuzzi, “Aggirare i vincoli. La frammentazione del lavoro nell’industria dell’ospitalità veneziana” in Sociologia del lavoro, 146/2017

• Empirical research (2015-2016): 41 in-depth interviews with (migrant and Italian) hospitality workers in Venice, and other actors within this sector.

• Data: Hospitality industry in Venice: 400 hotels, 28,000 beds (mainly 3 stars; luxury hotels count for 4,000 beds); 10-15,000 workers employed.

• Three processes of internationalization:
  – Tourists (new fluxes from Brics and Gulf countries)
  – Penetration of international hotel chains (and financiarization), which now coexist with traditional organizations;
  – Labourers: 25% of the total workforce is non-Italian. Migrant labourers come from both EU countries (ex. Romania) and non-EU countries (Bangladesh, Albania, Maghreb, Senegal, Moldavia, Ukraine, Brazil)

• Wide range of different types of contracts: permanent and seasonal contracts; temporary work agencies.

• Subcontracting chains and stratification of the workforce.
Results:

• A number of operations are frequently **outsourced** by the hotels: housekeeping, cleaning, security, porters, sometimes restaurants and catering. – those activities which are deemed as “low skill”.

• The importance of **workers’ cooperatives in subcontracting chains** – and in guaranteeing flexibility to employers (differently from London, where this role is taken by TEAs)

• The subcontracting chain often reproduces (and interacts with) the **processes of racialization and genderization of the workforce**: each Venetian hotel has its own specific workforce composition, in terms of gender, nationality, skin colour.
“A tourist on a mass tourism holiday package in a developing country. [...] A tourist departing on a low-cost airline or charter flight for a two-week holiday at an all-inclusive beach resort in a developing country, will likely have made the booking through a travel agent selling holiday packages for a multinational tour operator based in a developed country, or will have self-booked through the internet. [...] The tour company selected by the tourist will typically be vertically integrated, owning or having strategic alliances with airlines, travel agents and hotels, and little of what the individual has paid for the holiday in their home country will go to the destination. The accommodation will probably be reserved in a multinational hotel company with a recognizable brand name which, in the tourist’s mind, offers a standardized product with the services and food they are used to while at home. [...] Shopping and eating away from the hotel may well be at internationally recognized brand name stores and restaurants. While in the destination the tourist will pay for most things with one of the credit cards issued by the few multinationals that control global personal finance. With global banking, the hotel will be able to transfer profits out of the developing country and, with access to international courier services, the executive chef at the hotel, who is probably a citizen of a developed country, can import products from any part of the globe”.

References


Francesco E. Iannuzzi, “Aggirare i vincoli. La frammentazione del lavoro nell’industria dell’ospitalità veneziana” in Sociologia del lavoro, 146/2017