

**HOTELIERS' SOURCES OF BARGAINING POWER WITH BRITISH TOUR OPERATORS  
A BARBADOS CASE STUDY**

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**Abstract:** This discussion explores, from a Caribbean perspective, the nature of the relationships and the sources of bargaining power between British tour operators and Barbados hoteliers. The paper aims to illuminate sources of power asymmetries that exist within the tourism/hospitality context and, in turn, assists Barbados hoteliers with improving their bargaining power status with British tour operators. Contractual agreements between hotels and tour operators can work unfavourably for hotels and resorts of the Caribbean since it restricts their profitability, performance, competitiveness, and long-term financial sustainability as tour operators demand lower net rates. The paper addresses two research questions: (1) What leverage tool (s) could be used by Barbadian hoteliers to neutralize the power of British tour operators in the negotiations process? (2) How could a dialogical (Poon, 1994) environment be created to facilitate real cooperation between the two stakeholders? An eclectic qualitative approach to information gathering involving mystery shopping, personal professional experience, literature reviews and elite interviews with hotel managers who are members of the Barbados Hotel and Tourism Association was undertaken. The results suggest that a penta hexa model of stakeholder collaboration is necessary in order for Barbadian hotels to become more competitive and less dependent on British tour operators.

**Keywords:** Crisis management, distribution channels, tour operators, tourism marketing, tourism management

### Introduction

Caribbean islands encounter several challenges in attracting tourists. Due to a lack of topographical and other natural, financial, and human resources, there is a heavy dependency on tourism, which has precipitated a reliance on foreign capital and transnational enterprise (Reid & Reid, 1994). Among these transnationals are the large independent and integrated British tour operators. Tour operators have grown into large 'power houses', allowing them to control price, product, and tourism flows that influence tourism demand to the Caribbean (Pattulo, 2006). This power allows the tour operators to exert pressure on accommodation providers, particularly small medium tourism enterprises (SMTes) in peripheral destinations, during negotiation processes for contractual room allocation. Contractual agreements usually work unfavourably for hotels and resorts of the Caribbean since it restricts their profitability, performance, competitiveness, and long-term financial sustainability as tour operators demand lower net rates.

The power of British tour operators has been studied by various researchers (Bastakis, Buhalis & Butler, 2004; Buhalis, 2000; Gartner & Bachri, 1994; Stuart, Pearce & Weaver, 2005) in relation to other regions with similar characteristics; but, there is still a lack of research that explicitly examines the antecedents of bargaining power of buyers (tour operators) and suppliers (hoteliers) experiencing asymmetric bargaining power in relation to the Caribbean region. This paper reports the results of a mystery shopping investigation into the practices of British tour operators in their relations with Barbados hoteliers. The themes uncovered in the mystery shopping investigation were further explored by semi-structured interviews and conversations with hoteliers who manage Small Medium Sized Tourism Enterprises of 10-100 rooms on the island. Past and present industry officials

were also interviewed. The objective of this paper is to uncover strategies that would lead to a sustainable partnership between British tour operators and Barbadian hoteliers *in lieu* of the current relationship based on power. On that basis, this paper is going to address two research questions: first, what leverage tools could be used by Barbadian hoteliers to balance out the power of British tour operators; and, secondly, how could a dialogical (Poon, 1994) environment be created to facilitate real cooperation between the two stakeholders?

## Literature Review

Barbados is located at the southern end of the archipelago that makes up the islands of the eastern Caribbean. Since the island's independence in 1966, the economy of Barbados has been transformed from a low-income economy dependent upon sugar production into an upper-middle-income economy based on tourism and the offshore sector. In 2010, the United Nations Development Index declared Barbados as a developed country based on its excellent quality of life and high standard living. With an estimated population of 287,375 individuals in 2020, Barbados traditionally promotes itself as an upmarket tourist destination with a 'snob appeal' that demands a premium price. Its comparative advantage is derived from the 3-Ss of Sea, Sun and Sand but the island's distinctiveness is enhanced by an array of attractions including several historical sites, cultural activities, beautiful beaches, friendly citizens and special events. Due to historical and geo-political ties, the United Kingdom (UK) is responsible for over thirty-six percent (36%) of all visitors to Barbados (IMF, 2018). Around twenty-six (26%) of all arrivals are from the United States with the remainder from Brazil, Canada, Germany, Italy, the Caribbean region and the rest of the world (Barbados Hotel and Tourism Association, 2018). Barbados is one of the most visited destinations of the Caribbean (S raphin, Gowreesunkar, Rosel -Chim, Duplan & Korstanje, 2018), but the primary concern for Barbados' hoteliers is yield management where the markets are becoming more competitive and visitors are choosing destinations mainly by price (Reid & Reid, 1994).

### *Role and Functions of Tour Operators*

As in other peripheral areas tour operators have become major players in the inward flow of tourists to the island of Barbados, controlling air transport and the flow of visitors to the various accommodation establishments (Bastakis, Buhalis & Butler, 2004; Buhalis, 2000; Gartner and Bachri, 1994; Stuart, Pearce & Weaver, 2005). Tour operators negotiate with airlines, accommodation and ground transportation providers and attractions for services to be contracted at net rates. These rates are significantly lower than the rates published by the supplier to the public. In the Caribbean hotel industry, net rates can represent discounts of twenty to sixty percent (20-60%) off the published rack rates. The tour operator will bundle together the various components of the travel experience, add their surcharges to the net rates and market and sell these at one price to the travel consumer. However, there are several role conflicts between hotels and tour operators that have been reported in the literature. Buhalis (2000) Bastakis *et al* (2004) noted that the major source of conflicts between hotels and tour operators was the over controlling practices of tour operators and their contentious bargaining for lower hotel rates. Lee, Guillet & Law (2008) noted that the underlying theoretical explanation for imbalance in bargaining power is due to information asymmetries. When agents (tour operators) have more information than the principals (hotels) principals are likely to have difficulties with their agents. The dependence of Barbados on tour operators is derived from the fact that European consumers regard tour operators as experts on long-haul travel. The greater the distance between the visitors' point of origin and the destination the more important and influential the intermediary is to the prospective tourist's vacation choices (Gartner & Bachri, 1994). These dynamics, as well as the lack of business and market information,

make Barbados hotels depend almost exclusively on tour operators for their business out of the UK (Bastakis, Buhalis & Butler, 2004).

### *Competition, Concentration and Saturation*

The tour operator operates in a very capitalistic and liberalized economic system and thus seeks to solidify its market position through oligopolistic control of transportation companies (charter airlines) retailers (travel agencies) and hotels. Integration has influenced the strategic growth and advantageous market positioning of several companies facilitated by monopoly, and market domination (Dale, 2000; Inkson & Minnaert, 2012; Klemm & Parkinson, 2001; Mohammad & Ammar, 2015). Tour operators compete against other operators that feature and sell the same undifferentiated products to the same market segments (Inkson & Minnaert, 2012). Inkson & Minnaert (2012) note that the elasticity of demand of tourism products means that the ability to compete is dependent on the operator's ability to beat their competitors on price. As tour operators are increasingly forced to lower their prices to maintain their market share the hotel becomes the first port of call for lower accommodation rates. Problems occur in the relationships between hotels and tour operators when one partner focusses on achieving their own goals at the expense of the partner at the other end of the supply chain (Mohammad & Ammar, 2015). It is at this point when power issues, exploitation of market position and over-controlling tactics dominate these relationships. The uncontested, oligopolistic position of the tour operator enables them to use various tactics to exert pressure on hotels. These may involve covert coercion, intimidation, manipulation and hoteliers' ignorance of market trends and dependency on them (Buhalis, 2000).

### *Methodology*

#### *Information Gathering*

In August 2009, AB Boutique Hotel in Barbados conducted a mystery shopper's investigation into how UK tour operators' call center agents were representing the hotel to potential customers. A mystery shopper's investigation is a form of covert participant observation. A shopper's investigation is common in the services and retail sector to investigate the quality of services and the relationships of personnel with clients. Mystery shopping investigations involve an investigator posing as a customer who may call anonymously (mystery calling), visit (mystery shopping) or email (mystery mailing) the company under investigation. Mystery shopping is widely used in the services sector to investigate, review, or assess service performance (Douglas, 2015). For this investigation, the shoppers were mystery callers (Van der Wiele, Hesselink, & Van Iwaarden, 2005). At the time of the shoppers' investigation this researcher was an employee of AB Boutique Hotel. Consequently, the researcher was not able to publish this work due to it being a corporate document and the need to be confidential. To discuss the document before may have compromised many people's jobs and trust. However, over the passage of time and since embarking on an academic career, the researcher was able to use the knowledge gained from this experience to inform further research including this paper. The researcher also wanted to determine if the issues identified in the mystery shopping investigation still hold ten (10) years later.

The mystery shopping investigation highlighted some shocking revelations and identified themes and issues that prompted an intense literature review and semi-structured elite interviews and conversations with a purposive sample of ten (10) Barbados hoteliers in 2017/18. The hoteliers were selected from the membership directory of the Barbados Hotel and Tourism Association (B.H.T.A.) and care was taken to include participants who were general managers, reservation agents, marketing managers or owners of other similar boutique hotels on the island who had contact

with British tour operators. Elite interviewing is a technique, which is increasingly being used in the hospitality, tourism, and event industries (Hede & Kellett, 2008). Interviews took place at the participants' offices and sometimes over lunch or dinner at the respective hotels in Barbados. The average length of an interview was one (1) to two (2) hours. Participants were chosen based on their special knowledge, expertise, and experiences in the hospitality industry. Due to the sensitive and controversial nature of this research care had to be taken to protect the identity of the informants as they are all still working in the sector and did not want to be linked to this research. As a result, the participants' age, length of service, job role, the name of organisation they represent, and social and political affiliations cannot be detailed in this paper. Each participant was asked to review their narratives for accuracy but also to ensure that their publication did not compromise their jobs and to establish ecological validity (Wickens, 1999).

Results:

#### *Misquoting Travel Demand Statistics/Creating Illusions of Poor Demand*

Tour operators use a variety of techniques and tricks to drive hotel rates down. Tour operators will negotiate for an allotment of rooms, which, if not sold, is released back to the hotel for general sale without any cancellation penalty being imposed. Contractual arrangements would generally include a release period ranging from two (2) weeks to forty-eight (48) hours prior to arrival. When demand and occupancies are low tour operators might complain to hotels that their property "is not selling" with the intention of compelling hoteliers to grant further discounted net rates. Hoteliers reported that tour operators would withhold early bookings by taking advantage of the latest release option in their contracts to increase their bargaining power for less expensive room rates. When the hotel offers the cheaper rates, the tour operator may then release the previously held bookings to the hotel to create in the mind of the hotelier the illusion that it is the additional discounts that precipitated the newly reported bookings; but the tour operator would have been holding the bookings for some time without reporting them to the hotel.

Although there are variations, a release period of two weeks prior to arrival is common; however, during periods of low demand release dates can be as close as 48 hours prior to arrival. This can be problematic, as it does not give the hotel in the remote Caribbean region enough time to dispose of unused stock. Hotels on islands do not benefit from last minute 'walk-ins' like hotels in large metropolitan cities. Unlike tangible goods, hotel rooms are perishable and any rooms that are not utilised will result in lost revenue for the hotel. Unoccupied rooms do not generate any revenue for hoteliers and cannot be reflected in the inventory for future use (Dong & Ling, 2015). Any inability of the tour operators to sell out their allotment means that the hotel will attempt to attract last minute customers, which results in even further discounting. The revenue manager may risk overbooking the hotel to combat any unused rooms by tour operators. In cases of overbookings, some guests may have to be relocated to other hotels at the destination. This revenue manager recalled a severe case of overbooking at a west coast resort in the middle of a winter season. They claimed:

"We had to call people and tell them not to leave their countries because we could not find any alternative accommodation on the island".

The inability to adequately manage room inventory due to the unpredictability of tour operator demand means that hotels run the risk of selling too many rooms at too low a price. Tour operators impose severe penalties on hotels if their clients are 'bumped.' During the high season, hotels may

displace high-paying transient guests to accommodate tour operator clients to avoid penalties (Kimes & Lord, 1994) which will incur further losses.

### *Investments in capital ventures*

The shoppers' reported that although they asked the tour operator agents to book AB Boutique Hotel the agents frequently re-directed them to other properties in Barbados and sometimes to other destinations in the Caribbean, particularly St Lucia. This is known as 'directional selling'. 'Directional selling' or 'switched selling' is the attempted sale by a vertically integrated tour operator of the vacation packages of one of its vertically integrated partners. The practice has been criticized on the basis that it gives customers limited choices and is anti-competitive. (Hudson, Snaith, Miller & Hudson, 2001). Koutoulas (2006), noted that TUI, one of the largest integrated operators in the UK and Europe, had a policy of selling TUI hotels first and other properties after. Investments into hotels at the destination by tour operators is common as it gives tour operators more power to prescribe room rates and to offer cheaper holidays. During the semi-structured interviews, it was revealed that a loan from a large British tour operator to a local hotel in exchange for preferential rates resulted in the hotel entering financial difficulty when the tour operator could not sell out its exclusive allotment of rooms. Picazo & Moreno-Gill (2018) warned that when negotiating trade agreements with tour operators, hoteliers should be aware that tour operator ownership or partnership of any kind results in a negative impact on the final price.

The mystery shoppers reported that they were frequently told that AB Boutique Hotel had no availability when, in fact, the property was wide open. Previous studies on other similar regions report that tour operators would mislead customers by repulsing them from using certain properties by citing unfounded issues or problems or by telling them that the hotel is full or 'unavailable' (Buhalis, 2000). Buhalis (2000) explains that operators are keen to fill allocations in certain hotels first, particularly hotels for destinations that offer greater profit margins through last minute deals or the ones that they own. Tour operators can manipulate the competition among the various hotels and destinations within the same competitive set as they control the airlift capacity and price (Papatheodorou, 2006). The oligopolistic position of the tour operators enables them to influence tourism development and demand due to their pricing policies, image manipulation, volume planning, promotional activities, and contracting practices (Carey and Gountas, 1997). These dynamics put hotels who depend on tour operator channels in a very vulnerable position. The relationship between many small hotels and tour operators is anything but a partnership but can be one of domination and subjugation.

Mystery shoppers reported that they were frequently told that Barbados was *unromantic*, had *too many children* or had *too much traffic* to persuade them to travel to St. Lucia. In cases where a potential visitor may call the hotel directly to make an independent booking, hoteliers faced punitive or punishment strategies from the tour operator if they took the booking. Interviewees noted that if the tour operator became aware, they might pull the hotel from the brochures. Other hoteliers reported having to pay the tour operator commission even though the customer booked directly. A reservations manager reported that the tour operator would expect you to refuse any attempts by customers to book direct and expects the hotel to refer the customer back to them.

Hoteliers noted that they would frequently receive calls from customers claiming that the tour operator price of the holiday was as much as fifty percent (50%) more than what they would pay if they booked direct. Some hoteliers noted, however, that because the tour operators control about seventy percent (70%) of the airlift and airline seats coming into the island, the customer frequently had no choice but to book with the tour operator. In small hotels any rooms that go unsold

substantially increases the unit cost of the operation while reducing the occupancy and revenue levels. From my professional experience: *You must make a judgement call. If the customer is a known repeat customer of a tour operator it is probably best to send them back to the tour operator otherwise, you should take the booking.* Another marketing manager informed that they were mandated by company directors to increase the level of direct bookings to their resort. They noted: *I would take the risk and make the booking.* Direct bookings are important due to the lower transaction cost incurred by the hotel. Direct customers are also more likely to pay up-front and in advance for their holidays. With no intermediary involved, commission expenses are eliminated enabling better yield management. Although the relationship between hotels and tour operators can be considered a partnership, the fact is that both parties are also competing against each other for the same customers. This can lead to vertical conflict and to one channel member perceiving the other to be engaged in behaviour that prevents or impedes it from achieving its goals. This can lead to the tour operator retaliating by refusing to continue selling the hotel's products (Tan & Dwyer, 2014).

#### *Using Stories and Scenarios that Play on Hoteliers' Sensitivities/ Fabricating Stories of Negative Customer Dissatisfaction*

The semi-structured interviews revealed that tour operators would sometimes ask hotels to honour rates that they claimed were erroneously misquoted to customers, to force the hotels to accept bookings below the contracted rate. This hotelier claimed: *Generally, conflicts are resolved quite easily as we are willing to work together with operators to ensure the client is not disadvantaged. One of the challenges you find is where the operator may have quoted a lesser rate in error. In instances like this we may go 50/50 with the operator in covering the difference.* Another informant advised that rather than refuse the booking the hotel would barter with the tour operator for more visibility in the brochure in exchange for accepting the lower rate. They noted: *This is not a one-off occurrence ....it is happening quite regularly, and it is very aggravating. I would be inclined to refuse the booking but then the tour operator would go to the marketing manager who would accept the booking claiming that it is good for relations.* Many hoteliers place high value on these relationships as partnerships where the tour operators does the marketing and make the bookings so that they could focus on their core operational function as service providers.

#### *Employing Intimidation or Scare Tactics*

Tour operators would often misquote travel statistics, employ intimidation tactics, or play hotels against each other at the destination to compel them to give further rate reductions. Claiming that a hotel of a higher category at the destination has quoted a lower rate is a frequently used tactic to create the illusion of fake competition between hotels at the destination. During the seasonal downturn, the tour operator may use fallacious travel demand statistics or exaggerate the impacts of negative political events to justify the further lowering of room rates. One informant revealed that during re-contracting operators would ask for as much as a further fifty percent (50%) off the already existing contracted room rates.

The consequences of such heavy discounting were a change in the demographics of the guests that are staying on tour operator packages and a concomitant increase in complaints. They noted that:

*"All the guest do now is complain about little things trying to get refunds or things free. You can see a change in the type of guests as a lower market person to the type of person that used to stay with us".*

The tour operators frequently sent their own staff to act as 'reps' at the destination. Hoteliers agreed that reps would sometimes incite guests into complaining by using the trust that guests place in

dealing with people of their own ethnicity (King, Dwyer, & Prideaux 2006). Tour operators may negotiate for 'run-of-the-house' rooms which drives the rate down further but gives the hotelier the flexibility to assign rooms of a lower classification so that the premium rooms can be reserved for sale to customers who pay premium prices. However, this informant noted that hotel guests would complain about the 'run-of-the-house' room, the services or facilities to make a case for an upgrade to an ocean view room without paying the surcharge. A south coast hotelier noted that: *It appears that complaining is now the thing to do while on holiday to get the vacation for as little as possible. Complaining about food poisoning is a recurring complaint.* Tour representatives will try to negotiate a settlement in favor of the customer. From professional experience: *it's easier to give the refund or upgrade because you don't want to enter into a dispute with the tour operator. This may result in them pulling you from the brochure and they will deduct it from the payment anyway.* It is difficult for hotels to fight back under such circumstances since the tour operator contract transfers the liabilities for poor service to the hotel.

#### *Misrepresentation of Hotel Star Ratings*

Tour operators would misrepresent the star rating of the hotels by overstating its star classification. When guests arrive, if the services and facilities are not to their expectation, this may lead to complaints and compensation being paid. This informant noted: *We were a 4-star hotel, but a tour operator sold us as a 5-star.* Ordinarily, a hotel of a higher classification would attract a higher price thereby increasing tour operator profits. As stated by the informant: *When you sell a 4-star hotel as a 5-star the expectation of service and facilities are high.* This hotel refunded millions of pounds over time to customers who were disappointed when they arrived because they were misled or not properly informed about the hotel by the tour operator. Tour operators have a strong influence on the nature of the information communicated to the clients before and during the holiday, which influences the consumption patterns and expectations of the visitor. Tour operators typically classify hotels and resorts to meet their own brand specification; but this often presents a distorted, image of the resort. Image distortion and limited information creates unrealistic expectations of the tourism product, which can lead to dissatisfaction and complaints.

#### *Withholding or Delaying Payments*

Tour operators would withhold payment until the last minute sometimes leaving hotels in serious overdrafts and scrambling for cash to pay local suppliers and staff. The visitor pays the tour operator in advance for their holidays but, the large tour operators require a thirty to forty-five (30-45) days credit facility. Buhalis (2000) notes that tour operators typically earn as much as twenty-five percent (25%) of their revenue from interest on clients' money as it sits in their bank in the metropole. Frequently, the failure of tour operators to pay on time has resulted in Barbados hotels applying for additional overdraft facilities to meet financial obligations and in turn paying interest on these loans or overdrafts.

#### *Funding Additional Promotional Campaigns*

Normally a brochure contribution is negotiated in the initial phases of rate negotiations. In addition to the initial brochure contribution, tour operators would often ask hotels to fund further additional campaigns usually midway in the contract cycle. These campaigns would be designed to communicate additional discounts or travel incentives to customers. Participants reported that tour operators would attempt to renegotiate their contracts by asking for additional discounts plus a monetary contribution of a specified amount towards the campaign cost. Desperation and FOMO (fear of missing out) may prompt the hotelier to participate in the campaign. However, a

disadvantage for the hotel is that such arrangements are risky and based on trust. The hotel manager would not be able to see how the extra money is spent. Any additional business derived from the additional campaigns may not necessarily accrue to the hotel and if it does, it may be difficult to demarcate it from other business.

#### *Not Passing Extra Discounts onto Customers*

Another frequent complaint from hoteliers is that extra discounts given to tour operators to stimulate business were not always passed onto customers. Hoteliers complained that these discounts would still be deducted from the operator's final payment to the hotel thereby increasing the tour operators' profit margins. Such is the level of distrust that one hotelier noted that they have adopted the practice of copying-in the customer on any correspondence to tour operators concerning the level of refund that they will be receiving for their complaints.

Butler (1980) warns that the price sensitive, mass packaged, standardized, and institutionalized travel market will lead to the gradual decay of the destinations' facilities, its appeal, and a decline in earnings per visitor. Travelers will then seek out newer and un-spoilt destinations as the tour operator shifts the tourists flow to newer and fresher destinations with more appealing and newer facilities. Clearly Barbados' travel trade model of destination marketing directed at the travel trade cannot meet the country's future growth requirements in terms of foreign exchange, jobs, tax revenues, skills and knowledge transfer, increased productivity, or competitiveness. In addition, with so many hotels being all inclusive immediate action is needed to address this situation. Table 1 below summarises the findings from the literature and interviews into four (4) conceptual themes.

Table 1

Tactics used by British tour operators to reduce hotel rates in Barbados

<ul style="list-style-type: none"> <li>• Unethical practices (deception)</li> </ul>	<ul style="list-style-type: none"> <li>• Misquoting travel demand statistics/Creating illusions of poor demand</li> <li>• Withholding advanced bookings to create illusions of poor demand</li> <li>• Creating stories and scenarios that play on hoteliers' sensitivities</li> <li>• Reporting in advance bookings only after receiving lower rates</li> <li>• Withholding payment/Late payment</li> <li>• Fabricating stories of customer dissatisfaction</li> <li>• Inciting customers to complain once at the destination</li> <li>• Not passing on discounts to travelers but deducting additional discounts from hotel invoices to maximize profits</li> <li>• Closing out hotels in operating systems</li> <li>• Misrepresenting hotel start ratings</li> <li>• Overinflating the cost of the vacation</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Intimidation/Over controlling tactics</b></li> </ul>	<ul style="list-style-type: none"> <li>• Intimidating contractual tactics</li> <li>• Playing hotels against the other at the destination</li> <li>• Threatening to remove hotels from brochures</li> <li>• Redirecting visitors to other properties or islands/destinations</li> <li>• Withholding payment or late payment</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Negotiation</b></li> </ul>	<ul style="list-style-type: none"> <li>• Negotiating brochure contribution in initial contracts</li> <li>• Asking hotels to fund additional marketing campaigns</li> <li>• Negotiating for run-of-the-house rates</li> <li>• Negotiating/Renegotiating advantageous cut-off periods</li> <li>• Re-negotiation of rates midway into contractual period.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Strategic Alliances</b></li> </ul>	<ul style="list-style-type: none"> <li>• Vertical and horizontal alliances</li> <li>• Capital investments and loans into hotels at the destination in return for preferential rates</li> <li>• Representation services at the destination through local companies/own representatives</li> <li>• Market domination through oligopolistic structures</li> </ul>

## Recommendations

### *Collaboration in the tourism industry*

In the tourism industry there is a trend toward collaboration among stakeholders (Gayle & Goodrich, 2015). Calzada (2018) suggested a penta-hexa model, encompassing a collaboration between private entrepreneurs, the public sector, academia, and civic society. Della Corte & Aria (2016) suggest that coopetition is an avenue for gaining competitive advantage in the services sector. The hexa (figure 1) model is applied below through the identification of steps that can be taken by the private and public sectors, academic institutions and civic society to balance out the power between Barbados hoteliers and tour operators and make the destination more competitive.

**Figure 1: Penta-hexa**



### ***The Private Sector - Strategies for Small Hotels (Entrepreneurs)***

The Covid-19 outbreak and the collapse of Thomas Cook is testament that the tour operator business model continues to be outdated and unsustainable for Barbados tourism. One of the major lessons learned and one that this researcher has been preaching for several years is that hotels must diversify distribution channels. Long gone are the days when eating and drinking with tour operators and travel agents at lavish lunches and dinners is a guarantee of business. Hoteliers need to be more strategic and build direct business. Hotels should re-assess their strategic position by identifying the unique, tangible, and intangible features and attributes, which would enable them to differentiate their product to attract and satisfy niche markets and formulate co-

operation schemes at the destination (Buhalis, 2000). The primary focus of hotels should be to reduce their dependency on mass-market all-inclusive tour traffic. Several initiatives and actions could be implemented. These include:

- Attract independent travellers by adding value to the resort experience. Value added components such as early check-in, late checkout, free dinners, free parking, and retail discounts could replace monetary reductions. Focus on creating an amazing destination and resort experience instead of discounting through diagonal integration with partners and competitors to encourage direct bookings (Poon, 1994; Tan & Dwyer, 2017).
- Ensure that hotel websites and other communication channels communicate the different ways and different channels through which hotel bookings could be made with links to all distribution gateways.
- Train reservation staff to upsell hotel features and services to potential direct customers.
- Cooperate with third-party websites such as Lastminute, Orbitz, Expedia, and e-Long to reach a broader customer base and to distribute dynamic packages with special features that are not available through package tour operators. The above websites allow the customers greater control in the selection of their vacation choices (Dong & Ling, 2015).
- Develop a destination referral program which would allow members of the diaspora and visitors to refer the destination to friends, family or colleagues in exchange for points or cash that can go towards paying for future visits if the bookings are direct.
- Barbados hotels should explore ways to maximize their incomes and lower their average operating costs through internal growth. Managers must consider ways in which additional business units or capacity could be established that would not incur additional cost but would increase revenue and a cash flow at the destination level. These could include:
  1. Converting unused space into additional restaurant capacity or conference facilities.
  2. Rent out unused space to concessionaires.
  3. Establishing a tour desk that could earn commissions (usually causes conflict with tour operators).
  4. Offer business services to business clients for a small charge.
  5. Sell branded hotel souvenirs and other merchandising

### ***Private sector competition action points – Entrepreneurs (Hoteliers)***

Clusters of hotels can form cooperative schemes. Cooperative schemes can make economic sense if it increases profits and reduces cost (Shankar, 2017). Several initiatives can be implemented:

- Share the cost of setting up independent distribution channels and central reservations systems.
- Commission or conduct research, share the cost and share, and manage information.
- Achieve bulk purchasing through economies of scale.
- Share the cost of specialised management and technical expertise
- Engage in joint marketing efforts to cut marketing cost (Reid & Reid, 1994).
- Engage in collective bargaining with tour operators. Enforce the tour operators' contract. Share the cost of legal representation in the tourism originating countries.
- Hire confident, competent, experienced, and skilled negotiators.

### ***Public sector – Tourism Authorities***

Barbados tourism authorities need to penetrate new tourist markets and encourage new airlines to fly to Barbados. Currently tourism marketing efforts are limited to North America and the UK tourism generating regions. Barbados must market the country in other destinations that would promote the inflow of more persons into the country. Promotional efforts must be directed towards offering, specialised and special interest products. Research has highlighted that niche or luxury tour operators tend to be more concerned about service quality and value for money rather than price unlike the mass tour operators (Sealy, 2018).

### ***Academic Institutions***

The challenges of managing conflict within the distribution channel has implications for the education and training of tourism personnel. Traditionally marketing managers in small hotels in Barbados tend to perform administrative functions, which is counter-productive to their role. It is evident that globalization and technological change require a much higher skilled and confident workforce. The industry needs professionals who can bring expertise that would give a competitive advantage to the hotel sector. It is imperative that educational institutions make research skills the cornerstone of their qualifications. It is vital that marketing managers are able to conduct research to identify new and emerging markets that can be pursued by tourism businesses. Managers must be digitally literate and technologically savvy to reach customers independently rather than depending on tour operators (Tan & Dwyer, 2014). Hospitality related curricula must move away from vocational education and instead mold graduates who are critical thinkers, problem solvers and innovators. Internships and placements outside the Caribbean will assist in broadening the horizons of future hospitality leaders and exposing them to different practices and realms of thinking.

### ***Public Sector – Local Government***

When a country's natural resources are packaged and sold by foreign enterprises a substantial portion of the profits and value-added is captured by the metropole and therefore does not accrued to the destination country. The role of governmental policy is critical in making the destination and its local tourism businesses more competitive. Government should encourage and facilitate policies to strengthen the competitive position of the local tourism business sector. These should include:

- Diversifying the economy so that it is less dependent on mass tourism.
- Create an enabling environment for small tourism business to grow with access to funding and other financial incentives.
- Encouraging local entrepreneurship by providing small businesses with education and training opportunities.

### ***Civic Society***

Public consultation should be part of the decision-making process for tourism (Wilson, 1996). Tourism planners need to involve the local community in all aspects of tourism development. The tourism authorities need to implement an effective local communications campaign aimed at raising the level of awareness of tourism development projects and to ensure that tourists have the best experience possible. Community tourism through home stays and home visits should be encouraged and is considered one of the most effective ways to ensure a better spread of tourism benefits.

### ***Additional Observations and Remarks***

The impact of the COVID-19 global pandemic has resulted in a shutdown of the tourism industry in Barbados, with several hotels now closed. Unfortunately, at the time of writing the full impact of this business disruption and the financial implications are unclear. With most tour operators in financial trouble due to the pandemic the likely result for Barbados hotels is an escalating tour operator accounts receivable debt crisis. It may be challenging to recoup this money due to the fact that the tour operators will also have their own financial concerns to address. It is likely that many tour operators will ask the hotels for extended credit facilities.

Furthermore, these hotels may be at the mercy of tour operators for their recovery which will exacerbate the financial situation for many of them. Tour operators are likely to require substantial discounts from hotels to relaunch themselves into the tourists' market and to prop up their own financial losses. However, previous work has shown that these discounts are not always passed onto customers (Sealy, 2014; Sealy, 2018).

Barbados and other Caribbean hotels may find themselves having to recover from the financial losses incurred from the 'lockdown' caused by Covid-19 and then further financial losses incurred from heavy discounting given to the distribution channels. A significant portion of these hotels are all-inclusive and therefore do not generate any cash flow at the local level since all vacation components including room, food & beverage and tours are paid for in advance to the tour operator, creating a zero-dollar tourism economy. This situation is compounded by the fact that Thomas Cook's bankruptcy left many hotels out of pocket (Taylor, 2020). One hotel in Barbados depended on Thomas Cook for as much as 60% of their winter business. The Covid-19 pandemic has bought home the reality that the relationship between Barbados hotels and tour operators is unsustainable and in serious need of reform. Hotels must evaluate their contracts with the distribution channels, suppliers, and all aspects of the supply chain to ensure that the terms and conditions do not put them at a disadvantage when disaster strikes like Covid-19.

### **Conclusion**

The reason why the penta hexa model has not been applied to the tourism and hospitality sector of Barbados could be explained by the fact that tour operators are not ready to put an end to their dominant position over Barbadian hoteliers because their current position ensures a high level of income for them. Carlisle, Kunc, Jones & Tiffin (2013) argued that the penta-hexa model is the result of a shared vision. At this point in time it is not seemingly possible to establish a working relationship between the hotels and tour operators due to conflicts of interests. However, Barbados can strengthen its competitiveness through local stakeholder collaborative initiatives, which would place them in a stronger position when negotiating rates with tour operators as hotels will not be dependent on them. This could bring new prosperity and a new sense of sustainability to the island state which was once declared a developed country based on the United Nations Development Index in 2010.

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