Submission prepared by Griffith University's *Service Industry Research Centre* in connection with the Australian Government's House Economics Committee Inquiry into Australia's Service Sector

This report focuses on some particular facets of Australia's service industry sector that are of interest to members of Griffith University's *Service Industry Research Centre* (SIRC). The specific dimensions of the service industry subsector commented upon are:

1. The tourism sector in general
2. Medical tourism
3. Overview of the Australian sport industry
4. Services marketing.

1.0 Tourism sector in general

A recent meeting hosted by SIRC with a tourism industry reference group that was designed to generate a research agenda concerned with issues pertinent to tourism managers and policy makers resulted in discussion around three main areas: (1) challenges and opportunities confronting Australian tourism, (2) areas requiring attention in order to increase Australia's tourism export, (3) formulating a research agenda with regard to improving experiences, education and competitiveness of tourism as an Australian service industry export.

1.1. Challenges and opportunities confronting Australian tourism

1.1.1 *Challenges*

a. Attracting investment
b. Securing adequate employment skill levels
c. Increasing competition from other markets
d. Balancing volume with quality – focus appears to be on numbers and not yield
e. Quality experience versus visitor spend
f. Volume of potential visitors to fragile areas
g. How to implement user pays systems for access to natural attractions.
h. Various individual schemes rather than standardized schemes, need for a national accreditation scheme.
i. Transportation issues – access, congestion
j. Poor practices impact on quality of experience
k. Sustainability.

1.1.2 Opportunities

a. Tourism organizations are shifting focus from marketing to more strategic planning
b. Consideration of infrastructure development needs
c. Emerging international markets
d. Specific niche tourism experiences – study tourism, health tourism, spa tourism, etc.
e. Changing technologies
f. Tourism tools to assist regions
g. Quality accreditation
h. Clustering products/destinations
i. Build on reputation, eg., world heritage listings

j. Work across sectors involved in tourism in regard to specific needs
k. Private sector involvement
l. Regional development priorities
m. Link quality tourism experiences with branding at national, state and local levels
n. Safety
o. Regional branding and other industry linkages
p. Positioning and future trends of representative bodies and providing information to assist with the structuring of tourism development.

1.2 Areas requiring attention to increase Australia's tourism export

1.2.1 ***Employment research***
a. Impacts of casualisation of staff on employment choices within the tourism industries, service provision, career path options in tourism and competition from outside tourism
b. Training and skilling requirements
c. Small business skills and needs
d. Accommodation costs in prime tourism areas and impacts on tourism employees – renting and first home ownership.

1.2.2 ***Quality tourism experiences research***
a. Understanding the nature of quality experiences and how experiences relate to expectations
b. Development of an evaluation tool in regard to quality tourism experiences
c. Proactive responses rather than reactive responses
d. Access to capital for small operators and impacts on quality of operations and tourism experiences
e. "Mum and dad", "retiree" operators and impacts on "quality tourism experiences".

1.2.3 ***Business tourism/Events and conference research***
a. Figures to quantify in relation to state and territory economies
b. Need to develop an economic impact measurement tool re: events, etc which can provide a standardised approach for comparative purposes.

1.2.4 ***Service studies***
a. Service levels and adequacy
b. Training and skilling
c. Cost structures and impact on level and "quality" of employees.

1.2.5 ***Investment attraction***
a. Linking with other industries
b. Leverage points to achieve investment in regions in relation to tourism
c. "Mum and dad", "retiree" operators – knowledge of tourism industries, challenges
d. Increasing competition from other markets – need to investigate how to leverage tourism industry support especially within niche market areas.

1.2.6 ***Sector research***
a. Accommodation (affordability of accommodation and relationship to quality of service).
b. Transportation – congestion, infrastructure, brain drain.

1.2.7 *Destination management*

a. Operational levels for destination management plans and processes to attract events, business and meetings tourism - how to leverage other industries' involvement in these types of tourism.
b. Seasonality issues and impacts.

1.2.8 *Business development activities*

a. Industry opportunities and gaps in service in regions.
b. Demographic changes and impacts on tourism industry and employment.
c. Impacts of technology changes, and how to leverage these changes to positive effects within business and industry management processes.

1.2.9 *International and national "shocks and crises"*

a. Research relating to crises and challenges arising from shocks – terrorism, natural disaster, health scares, etc.

1.3 Potential research agenda

There is a need to appraise what is meant by a "quality tourism experience".

How can it be measured, benchmarked, used for accreditation purposes to improve quality, ensure quality tourism experiences and build reputation. Also it would be a worthy endeavour to document the quality challenges confronted by small operators.

2.0 Medical Tourism

2.1 Introduction

Medical tourism has the potential to increase tourist volume, average daily visitor spend and also average length of stay. These are significant metrics for the tourism industry, and medical procedures are widely acknowledged to be a true export of services.

2.2 Some medical tourism international perspectives

On 2nd to the 4th of June 2006, the second India Medical Tourism Expo was held in London. This expo was designed to promote the Indian medical tourism industry throughout Europe. It has been estimated that medical tourism will contribute $1 billion per annum to the Indian GDP by 2011 (McKinsey). The Indian medical tourism strategy has focused on providing a medical "queue jumping" opportunity, with limited inroads made into the provision of other value adding tourism services. This is despite the fact that there are many marketable tourism destinations within India. Specific Indian medical tourism examples include patients travelling from the UK and Canada to have their medical procedures (knee/hip replacements are common) at reduced costs, and far in advance of their scheduled surgery date.

Singapore, by contrast, claims to offer a "world class" medical tourism experience, according to their marketing materials. They promote their product in the Middle East, and have increased the number of apartment style dwellings for this extensive

family oriented market. Singapore has discovered that by providing the right type and quantity of apartment accommodation, they can attract and service many wealthy Middle East patients to their medical tourism market.

South Africa has become known for its safari tourism operations, and has developed a high standing spa and retreat industry. The current product mix in South Africa includes a spa based rejuvenation stay prior to any medical procedure, and a recuperation stay at a retreat or on safari, during the recovery period. Most of the medical procedures marketed to overseas tourists are body enhancement procedures (eg, face lifts), in contrast to India and Singapore that are providing service models built around necessary rather than elective surgeries.

2.3 The possibility of Australian-based medical tourism

The three international cases noted above provide an indication of the potential for medical tourism to be developed in Australia, particularly in established tourism areas such as the Gold Coast. Discussions with private sector hospital CEOs and private practice doctors show a willingness to support the growth of Medical Tourism as a private industry. According to Gold Coast Tourism, the specific room size requested by Middle East families, are 3 bedroom apartments, usually multiple units on the same floor or in the same building. Although the Gold Coast inventory of high quality 3 bedroom apartments is low, by world standards, we are able to meet demand in off peak periods, and Medical Tourism may lead to increasing both frequency and length of stay for these patients/tourists, hence adding additional revenue. According to Gold Coast Tourism, the Gold Coast currently hosts 250,000 Japanese tourists each year. They believe Japan represents a potentially fruitful marketing ground for promoting Gold Coast based medical procedures and “wellness” stays.

Gold Coast Tourism has made a commitment to market Medical & Wellness Tourism along side their other initiatives. This commitment includes brochure placement and tradeshow representation of Gold Coast Medical & Wellness Tourism capabilities during their overseas trade missions.

Inquiries conducted with Gold Coast based residential spa providers suggest a high interest in developing the international tourism spa/wellness market (rejuvenation stays at spas, and recuperation stays at retreats). This is seen as an opportunity to market excess capacity that arises during conventional tourism low seasons. Marketing and business managers interviewed expressed a willingness to engage in product development aligned to any medical tourism model of rejuvenation and post operative recuperation stays.

Discussions with CEOs of two private Gold Coast hospitals established that there are times when excess bed capacity is available. This excess capacity can be marketed directly by the hospitals, or indirectly through the doctors who use these hospitals to provide services to their own patients. They are willing to assist the doctors who use their facilities with issues such as specific diets (due to religious convictions Halal & Kosher) and cultural sensitivity requirements (Muslim women request/require female doctors).

2.4 Concluding commentary on the potential of medical tourism

To further explore the feasibility of developing medical tourism a pilot program could be undertaken. Doctors who have exhibited entrepreneurial flair could partner with other service providers in the "wellness industry" to create a menu of services that can be marketed by tourism authorities. Medical procedures are not typically an impulse purchase, as most tourists would want to seek the advice of their own medical professional in their home country. A wide range of medical tourism products could be test marketed with subsequent analysis of utilization patterns. The data collected could then support the pursuit of private industry funding and the development of marketing plans.

The existence of several barriers to entry into the Medical Tourism market are evident. Firstly, certain state health systems (eg., Queensland) suffer from a weak image. A public relations exercise promoting the success of private healthcare individuals and hospitals could be warranted. Secondly, there are obvious political advocacy issues around establishing a medical tourism industry at a time when health systems are struggling to meet the demands of a shifting demographic population. Thirdly, there is likely to be limited consensus amongst health providers in connection with what medical procedures should be promoted. A lack of a clear product focus would inhibit marketing effort.

3.0 Overview of the Australian sport industry

Australia is a nation with an outstanding record of achievement in sport. It is only one of three countries to have competed at every Olympic Games. In the recent past, Australians have won world championship events in archery, athletics, boxing, cricket, cycling, equestrianism, field hockey, golf, netball, rowing, rugby (both union and league), shooting, squash, swimming, surfing, tennis and water polo (Bloomfield, 2003). In 2005, Australians won 51 world championship and world cup medals (AOC). During the Sydney 2000 Olympic Games, Australia was placed fourth in the overall medal count, a feat it repeated in 2004 in Athens. At the Sydney Paralympic Games, Australia topped the medal count. At the Athens Paralympics it placed fifth. The nation has dominated the medal tally at recent Commonwealth Games. Two of the main reasons for these successes have been the advancement of sport sciences and sport development systems.

However, the contribution of sport to Australia is not just measured through the success of elite athletes. Sport is a major industry that contributes substantially to the Australian economy. The Australian Bureau of Statistics (ABS) estimates the total income of sports and physical recreation industries was $7,737m in 2000/2001. These industries employed 87,447 people, and added a further $1,942m to the Australian economy (ABS, 2002).

Sport industry figures compiled from various ABS reports revealed that government funding of sports and physical recreation was worth $2.1 billion, while business contributed $628 million in support and sponsorship. Latest spending habits indicate that Australian households spend an average of $11.03 per week on sports and physical recreation equipment and activities. Retail sales of sports and physical recreation products totalled $3.8 billion. Imports of sporting goods were valued at $1.2 billion and exports reached $463 million. There were 83,008 people employed in a range of occupations in the sports sector and more than a million volunteers (1,140,700) acting in supporting roles.

Additionally, the positive health related aspects of physical activity contribute to the national health agenda. More than 9 million adults (62% of the population) participated in some form of sport or physical recreation in 2002 and almost half of the adult population (7 million or 48%) attended a sporting event. The need to increase the perception of the health promotion aspects of sport is becoming more imperative, as physical activity levels for Australians are declining. Currently, it is estimated that only about 57 percent of all Australians exercise enough to gain the health benefits of increased fitness, reduced body fat and lowered risk of obesity-related disorders such as coronary heart disease. (http://www.betterhealth.vic.gov.au).

Sport can also be important in building social capital. For example, Driscoll and Wood (1999) conclude that sport has the potential to perform wide-ranging socio-cultural functions, including leadership, providing a community hub, health promotion, social networks, and aiding community identity.

4.0 Services Marketing

Services marketing is the most advanced of the primary disciplines of services marketing, management and operations (the service trilogy), supporting the success of firms in the service economy (Hume, Sullivan Mort, Liesch, and Winzar, 2006). Specialist skills and knowledge in services marketing have developed following the acknowledgment of the fundamental difference between physical goods and less tangible services. This difference has led to the requirements to understand the special difficulties of delivering to customers products that cannot be inventoried if demand is not predicted accurately, are difficult for consumers to judge and are produced and consumed at the same time, posing distinct challenges in managing quality.

Within services marketing, the issue of service quality and its role in initial purchase and in re-purchase continues to be an important focus for academic research and industry best practice. Essentially service quality definitions fall within a consumer-led interpretation, and because of the essential intangible nature of services, they are focused on external (customer) judgments about service performance (Ghobadian, Speller, and Jones, 1994). The SERVQUAL measurement instrument (Parasuraman, Zeithaml, Berry, 1985, 1988) is the best known measure but recent work by Brady and Cronin (2001) has provided a more reliable and sound approach to measuring this important aspect of services marketing. The criticisms of SERVQUAL highlight two important aspects; first, the inconsistency of SERVQUAL dimensions across contexts/cultures (Akan, 1995; Mels, Boshoff and Nel, 1997; Imrie, Durden, Cardogan, 1999, 2000; Imrie, Cadogan, McNaughton, 2002); and second, special problems relating to its (dis)confirmation paradigm (performance minus expectation)

used in describing service quality (e.g. Taylor and Cronin, 1994; Page and Spreng, 2002).

Service industries must compete in a global market. There is growing evidence that culture influences buying-habits and behaviour of customers in a service context (e.g. Matilla, 1999; Ueltschy and Krampf, 2001). Therefore, at the international level, researchers have realised that the cultural impact on service quality must receive attention, rigorously applying cultural frameworks in their studies (Gayatri, Chan, Sullivan Mort and Hume, 2005). Studies have found, for example, that cultural values provide customers with unique rules and customs to guide service quality evaluation (Ellis, Williams and Zuo, 2003; Imrie, *et al.*, 2002; Strauss and Mang, 1999; Winsted, 1997). If cultural issues can be accommodated in service design and service delivery, the behavior of customers can more accurately be predicted (Donthu and Yoo, 1998) leading to increased satisfaction, more likely customer retention and increased service industry competitiveness.

Several studies have shown that perceived service quality varies across cultural groups (e.g.. Malhotra, Ulgado, Agarwal, Baalbaki, 1994; Espinoza, 1999; Smith and Reynolds, 2002). Specific study of Chinese (Taiwanese) society has generated a new dimension of service quality drawn from Confucian beliefs (Imrie, *et al.*, 1999, 2000; Imrie *et al.*, 2002). Recent research (Gayatri, Chan, Sullivan Mort and Hume, 2006) has now extended attention on service quality impact of Islamic cultural values, using an updated measurement framework (Brady and Cronin, 2001) and showing a distinct impact of Islamic values on service quality. Further advances in this area will enhance competitiveness in service offerings such as travel, tourism, entertainment, health, retailing and education in the important Chinese (Confucian) culture markets of East Asia, and Islamic markets of South East Asia, West Asia and the Middle East. Continued research is needed in the area of cultural impacts on service quality and for this to be extended to impacts on service design and service delivery to enhance service industry competitiveness for the global market.

In research for the global market, special attention is increasingly being directed towards international entrepreneurship (Sullivan Mort and Weerawardena, 2006 forthcoming) to increase competitiveness. International entrepreneurship focuses on understanding the dynamics of business methods, knowledge assets, marketing skills and market entry strategies that enable superior international performance. A key specialist area of study in services marketing / service entrepreneurship is international franchising. Franchising is very important to the service economy in Australia, with about 50,000 franchisees across about 1000 systems. Australia is one of the most franchised countries in the world in terms of per capita number of systems. An ARC linkage grant at Griffith under Professors Frazer and Merrilees is examining the motivation of franchisors to go international and how they manage their overseas operations. Important early findings indicate the key role of relationships and branding.

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