Universitetet i Stavanger

**FACULTY OF SOCIAL SCIENCES**

**NORWEGIAN SCHOOL OF HOTEL MANAGEMENT**

# MASTER THESIS

| STUDY PROGRAM: | THESIS IS WRITTEN IN THE FOLLOWING SPECIALIZATION/SUBJECT: |
|---|---|
| **Master of Science in International Hotel and Tourism Leadership** | **Tourism instability, Incoming tour operators**<br>IS THE ASSIGNMENT CONFIDENTIAL? **NO** |

TITLE:

**" The perceived challenges of incoming tour operators with the post political crises effects in Madagascar "**

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ACKNOWLEDGE RECEIPT OF 2 BOUND COPIES OF THESIS

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# Abstract

The purpose of this thesis is to contribute to the understanding of the effects of political instability on the tourism industry in Madagascar. It particularly investigates the effects of the political incidents of 2002 and 2009 on incoming tour operators and their marketing environment. Based on the roles of incoming tour operators in the tourism distribution channels and their micro and macro environment, this study seeks to explore the impacts of the political crises on the marketing environment, their perception of risk and uncertainty within a volatile political climate and the responses of incoming tour operators to these challenges.

A qualitative approach based on personal interviews was conducted to collect the required data. The findings indicated that a decline of demand, internal changes followed by a period of inactivity, damaged destination image, late recovery for tourism industry and economic downturn were the main consequences of the two political crises. To manage these impacts, incoming tour operators implemented diversification of their portfolios of supply services, product innovation, market diversification and cooperation with private and public institutions. Incoming tour operators also perceived business related risks such as loss of partnerships, product constraints, competition and uncertain financial situation in addition to the exogenous low level of safety and security risk. Furthermore, the findings revealed that they attempted to minimize or eliminate these risks by the means of development of trust-based relationships, improvement of human resources management practices, product innovation and implementation of safety and security measures. Thus, the perceived challenges stemmed from the uncertainty of the environment in which incoming tour operators are operating that challenges these companies to maintain their market

relationships, the rebuilding of the image of the destination and the elaboration of a disaster management plan.

Key words: incoming tour operators, risk and uncertainty, disaster management, risk management

# Acknowledgments

I would like to express my gratitude to my supervisor Professor Øystein Jensen for his contribution to the completion of this thesis, his precious advice and the time he devoted to support me during the thesis writing process.

I also would like to express my sincere to all the incoming tour operators that accepted to participate in this study despite their busy work schedule.

I am grateful to my family for its support along my studies.

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# List of abbreviations

CBI: Centre for the Promotion of Imports from developing countries

DI: Destination image

DMO: Destination Marketing Organization

GOTO: Association of Tourism Operators in Madagascar

ITO: Incoming Tour Operator

MT: Ministry of Tourism, Transport and Meteorology

TOP: Association of Professional Incoming Tour Operators

# Chapter 1: Introduction/problem statement

## 1.1. Background of the study and problem statement

The development of technologies and means of transport allowed remote destinations to be affordable for international tourists. These young destinations, mainly located in developing countries, are using their nature and pristine culture as the core assets to attract international tourists. Tourism as a tool to alleviate poverty (Chok, Macbeth, & Warren, 2007) represents a significant sector in the local economy by providing net benefits through the flows of international tourists coming to visit these destinations. However, tourism products and services are vulnerable to external forces that induce changes within the industry. Numerous crises and disasters in today's world like economic swings, terrorist attacks, oil spills, epidemics, wars and political instability have had devastating results on international travel to the destinations of concern (Morgan, Pritchard, & Pride, 2002). Furthermore, global crises are also threats for young and remote destinations as they affect the global tourism industry and its international tourist flows for instance the global financial and economic crisis from 2007 that caused a decrease of 4% of international tourist arrivals in 2009 (Hall, 2010). In addition, threats related to local volatile environments and the deriving issues have stunting effects on tourism development and operations in young destinations. Hall (2010) states that wars and political instability pose greater threats to tourism industry and like other incidents, have impacts on both demand and supply side. While several studies supported that these incidents change tourist behaviors and destination images, there is a lack of empirical researches about the impacts of political unrest on tourism service providers (Steiner, 2007). Therefore, there is an increasing need to get a deep understanding on the impacts of these phenomena on tourism companies.

Incoming tour operators (ITOs) are inbound tourism service providers marketing consolidated service packages. In the case of Madagascar, a young destination located in the Indian Ocean and subjected to two political crises in 2002 and 2009, ITOs are the main actors in organized tourism consisting of all-inclusive round trip tours, visits to national parks, trekking and adventure, stays at "´écolodges" and resort holidays in exotic beach areas (Øystein Jensen & Hottola, 2009, p. 146). Because their marketing environment encompasses political forces, it is possible to assume that the consequences of political incidents affect ITOs. Moreover, the volatility of the political environment at the destination increases the uncertainty and risks in ITOs marketing environment and creates obstacles to the achievement of their goals.

Thus, study aims to get an insight on their experience of these incidents and the issues related to the current political climate within the destination.

### 1.2. Research objectives and research questions

In accordance to the aim of the study, which is to explore how ITOs in Madagascar experienced political incidents, the following questions are addressed:

(1) What were the effects of the political crises on the business environment of ITOs?

(2) What are the risks and uncertainty that ITOs perceive while operating in a volatile environment?

(3) How did ITOs manage the impacts of the political incidents (es) and respond to the related issues?

### 1.3. Contextual setting of tourism in Madagascar

The island nation of Madagascar relatively young in organized tourism presents a wide range of assets ranging from its outstanding endemic biodiversity and pristine landscapes to its unique

culture and 3S (sun, sand and sea) attributes. Tourism became a significant contributor in the economic growth by generating additional income and employing 4,3% of the country's workforce (World Bank, 2013) The evolution of tourism presents two major periods of growth: the first extending from 1990 to 2001 during which the number of tourists rose from 40 000 to 170 000 with an annual growth of 14,08% and a second period from 2002 to 2005 when the number of tourist rose from 61 674 to 280 000 with an average annual growth of 65,56% (Randriamboarison, Rasoamanajara, & Solonandrasana, 2013, p. 945). According to the Ministry of Tourism (MT), tourism reached its apex when the number of tourist arrivals culminated at 375 010 in 2008. However, the country is subjected to frequent political tensions that can evolve to political crises stunting the local tourism industry. The post electoral crisis in 2002 caused a drop of 64% (170 208 in 2001 to 61 674 in 2002) in international arrivals (World Bank 2013). In 2009, the international tourist arrivals plummeted 57% due to the political unrest occurring at the beginning of the year (Euromonitor international, 2014). However, tourism sector's ability to adapt to challenging conditions brought a growth of 16,3% during the post political crisis period (World Bank, 2013). In addition, the great potential is hindered by diverse issues for example limited tourism infrastructure, lack of coordination between tourism authorities and tourism companies or policy framework gaps.

The MT is the main institution mandated to define, implement and monitor the national tourism development policy while the promotion of tourism to the country is attributed to ONTM that gathers both public and private sectors. Additionally, several national level private sector associations gathers most of tourism companies in Madagascar. GOTO or the association of tourism operators gathers all type of tourism businesses operating in Madagascar. The association

of inbound tour operators or TOP is an association created in 1991 and mandated to promote the destination by the mean of representing Madagascar during international fairs and exhibitions.

### 1.4. Organization of the study

This study is divided into five chapters. The first chapter consists of introducing the research with the study background, problem statement, research objective and research questions and contextual setting of tourism in Madagascar. The second chapter contains generalities about ITOs, theoretical and empirical reviews of risk, uncertainty and crisis management. The method chapter outlines the research overall design, the sample, data collection methods, reliability and validity and data analysis. The fourth chapter comprises the findings from the key informants and the last chapter consists of discussing these findings.

# Chapter 2: Literature review

As ITOs are the main units of analysis in this study, it is therefore necessary to profile ITOs and their business environment in order to understand the effects of political incidents.

## 2.1. Generalities about ITOs

### 2.1.1. Definition

As an industry, tourism covers two main dimensions: the demand side consisting of purchasers or consumers who consume tourism products or services and the supply side conceiving and offering these products or services. From the nature of supply perspective, businesses and organizations are classified as producers producing services as well as interacting directly with consumers and support services supporting the direct suppliers (Holloway, Humphreys, & Davidson, 2009). Heyerdahl (2013; cited in Mei, 2014) defined ITOs as enterprises that export local tourism products through sales and marketing overseas that result in foreign guests travelling to the countries where these products are located.

### 2.1.2. ITOs marketing environment

As a tourism company, the ITO's marketing environment is made up of a microenvironment and macroenvironment. The microenvironment or internal environment consists of factors close to the company that affect its ability to serve its customers, the company itself, marketing channel firms, customer markets and a broad range of publics while the macroenvironment or external environment consists of larger societal forces affecting the entire microenvironment, that is, demographic, economic, natural, technological, political, competitor and cultural forces (Kotler, Bowen, & Makens, 2010, p. 86).

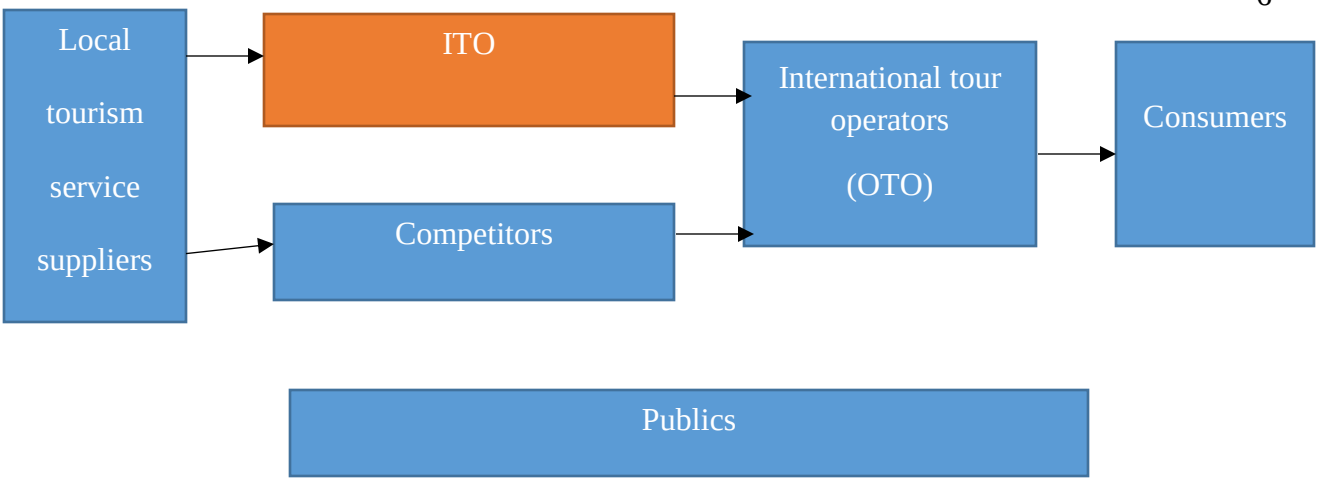


Figure 1: The internal environment of an ITO (adapted from Kotler et al., 2010)

An ITO cooperates with firms to supply the services they require to produce tour packages. Supply firms are providing basic services like accommodation, transport or even food service. Suppliers and the ITO are linked by a contractual agreement in which suppliers exclusively provide the services to the ITO while the latter is committed to include their services in their packages. However, suppliers can also contract with other ITOs that require their services, which creates competition between ITOs. International tour operators or wholesalers play the role of marketing intermediaries that help the ITO to promote, sell and distribute the tour packages to consumers. While ITOs are designing and producing the service packages, OTOs are marketing and branding these packages in their own brand name to various tourist market segments (Jensen, 2009, p. 135). Kotler et al. (2010) state that through volume purchasing, the wholesaler receives reduced prices, which enable the wholesaler to pay the ITO a commission for selling the service packages, give the customer a good price and produce a profit. This suggests that both an ITO and its OTOs partners are both important to one another in terms of business relationship rather than simply channels to reach customers or produce tour packages. Consumer markets consist of individual or groups that purchase tour packages either directly from ITOs or by the mean of OTOs. Individual consumers are more likely to directly contact ITOs at a destination and purchase their packages

while group of consumers represent the main market segments of OTOs. Finally, publics are any groups that have an actual or potential interest on an ITO's ability to achieve its objectives (Kotler et al., 2010, p. 91). Among the identified types of publics (Kotler et al., 2010), the microenvironment of an ITO includes financial publics influencing the company's ability to obtain funds for instance banks and foreign investors, media publics including newspapers, tourism magazines, radio and television stations, government publics offering consultancy services in issues like product safety and truth in advertising and general public that confers the image of the company and whose purchasing behavior is affected by the company's image.

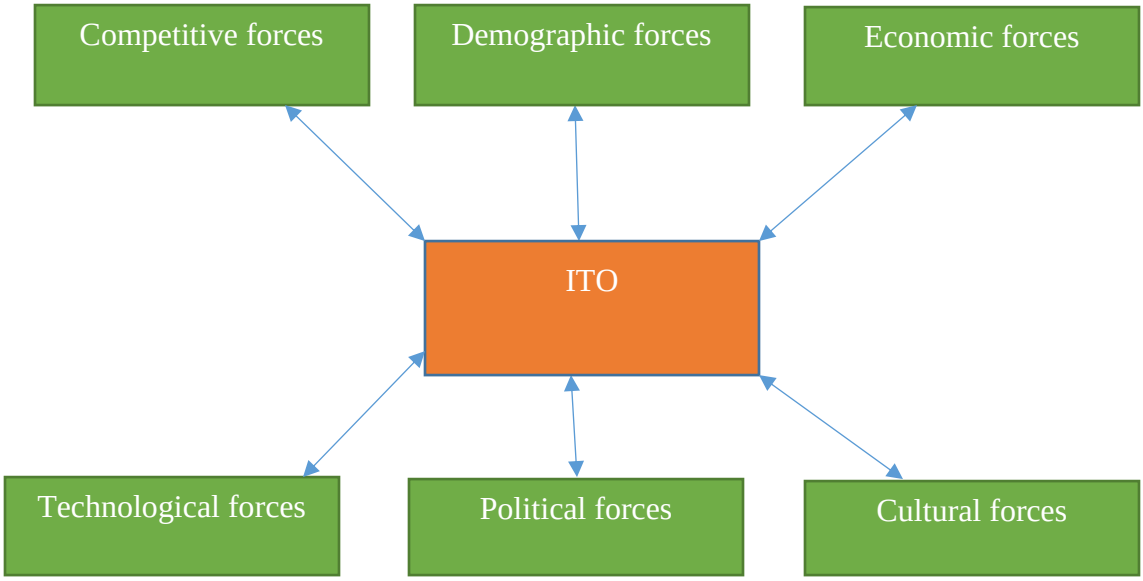


Figure 2: The internal environment of an ITO (adapted from Kotler et al., 2010)

Competitors are the first forces that affect an ITO's internal environment with regards to the unpredictability of the entrance of future competitors and their effects on the existing ITO. In the case of Madagascar, the barriers to enter the tour operating market are relatively low, which makes it difficult to predict future competitions with the large pool of organizations and individuals that are capable of creating a tour operating company. Moreover, the competitive environment has a

growing effect on the company because most of the ITOs are competing for the sale of similar products within the same-targeted market. The demographic environment is a major of interest to marketers because it involves people who make up markets (Kotler et al., 2010, p. 93). Trends and changes within the demographic environment affect ITOs product designing as the products need to fit customers' expectations and purchasing behaviors. In Madagascar, ITOs that are including encounters with local people in their products need to consider geographic shifts and changes in population to avoid any commodification of the encounters. The economic environment consists of factors that affect consumers purchasing power and splendid patterns (Kotler et al., 2010, p. 97). Changes in income of international purchasers and global economic swings reduce ITOs' customers purchasing power that results in changes within ITOs markets especially in product pricing. The economic contexts within a destination also participates in the destination competitiveness in terms of destination development, service quality and business exchange. Kotler et al. (2010) define the natural environment as the natural resources that are needed as inputs by marketers or that are affected by marketing activities. For many tourism destinations, it consists of many amenities that attract tourists such as wildlife, pristine landscapes, beaches or even clean air but with the growing environmental concerns about resources shortages and damages, producers including ITOs have to contribute to the management of these non-renewable resources, principal assets of the products they are selling. Technology has affected the tourism industry in many ways but the most important advancement that has had a profound effect is the internet, which has created a new distribution channel (Kotler et al., 2010). The internet has made communication easier and faster with online travel bookings, online reservation systems and websites full of information. This has allowed companies like ITOs to directly access international consumers and therefore enlarge their markets in addition to their partnerships with OTOs. The

political environment is made up of laws, government agencies and pressure groups that influence and limit the activities of various organizations and individuals in society (Kotler et al., 2010, p. 101). Government legislations and regulations such as taxes and privacy policies aim to protect both business companies and the publics involved in tourism activities however; political forces are the origins of hostile environments for the tourism industry. Incidents related to the political climate within tourism destinations affect the business environment of tourism companies and modify tourist traffics for instance government stability, socio-economic conditions, religious tensions, internal and external conflicts (Hoti, McAleer, & Shareef, 2005, p. 163). The political environment may also have impacts on the other dimensions in the macro environment of tourism companies for instance the economic and competitive environments as they depend on local contexts and policies stability. The cultural environment including basic values, perceptions, beliefs and behaviors (Kotler et al., 2010, p. 104) can affect marketing decision making of companies by challenging marketers to adapt the products they are selling to fit their consumers core values and respect the cultural values of local people in tourism destinations.

### 2.1.3. Roles of ITOs

- **Service production**

ITOs are the producers of consolidated travel packages including all the required logistics of travelers' local transfers, entertainments and sightseeing (Laws & Buhalis, 2001). This service production role involves an assessment of customers' expectations and needs, an anticipation of outbound tour operators (OTOs) perception of service quality, an inventory of the assets within the destination, a selection of local partners to provide the necessary logistics like accommodation and an aggregation of these intangible products into all-inclusive tours (Beech & Chadwick, 2006; Chin, 1985; Gee, Choy, & Makens, 1984; Ø Jensen, Buhalis, & Laws, 2001; Mei, 2014). Cloquet

(2013) aggregated the functions ITOs into information provision, assortment, bundling, booking and payment.

According to Jensen (2009), ITOs within Madagascar can be categorized as users marketing "classical products" and developers specialized in specific tours or services. Classical products consist of all-inclusive programs across the recognized attractions like the southern axis of the island or the western landscapes while specialized services offer trips with adventure elements or even luxurious services (Jensen, 2009, p. 145). In some cases, users can cooperate with smaller developers as suppliers of the needed specific services for instance assistance in specialized tours or specific means of transport.

- **Service distribution and delivery**

ITOs play a service distribution and delivery role as intermediaries that facilitate the sale and delivery of tour packages from international tour operators and consumers (Gee et al., 1984; Ø Jensen et al., 2001). This role is generally performed within a two-stage distribution system involving an agent (ITO) between producers (OTO) and local suppliers or a producer (OTO) between agents (ITO) and consumers. Therefore, ITOs are involved in a business-to-business (B2B) and business-to-customer (B2C) sale relationship by marketing organized tours to customers via international tour operators or direct sale to customers via their own websites. Laws and Buhalis (2001) insisted on the ITOs role as facilitators of tour operators' contracting and operating functions by providing in-depth knowledge of the destination and efficiently identifying suitable suppliers. This aspect underlines the bilateral partnership of ITOs in the distribution channel with local suppliers downstream and with OTOs upstream the distribution channel. Moreover, these interdependencies in tourism distribution channels shape ITOs behavior in tourism distribution channels to establish and maintain business networks with both OTOs and

local suppliers (March, 2000; Pearce, 2007). Studies with a focus on the market-based relationship between ITOs and OTOs indicated the power and control the latter have on ITOs resulting in dependence on OTOs to access international markets (Cloquet, 2013; Mei, 2014). ITOs in developing countries have more difficulties in reaching international markets without cooperating OTOs, which reinforces their power and control over their inbound partners (Cloquet, 2013, p. 650). While power refers to the tour operators' capacity to influence, control consists of exercising that influence to dictate partner companies business operations including operational management and strategies like pricing and product development (Medina-Muñoz, Medina-Muñoz, & García-Falcón, 2003). Further studies focused on the relationships between ITOs and local suppliers and highlighted ITOs critical decisions in channel partner selection based on partner-specific factors including product-specific and cooperation-specific criteria, local attraction specific-factors comprising the destination assets to draw visitors' attraction and context-specific factors entailing conditions facilitating or restricting access to local facilities (Cloquet, 2013; Jensen, 2009; Pearce, 2007). However, Mei (2014) stressed out that the bilateral business partnerships of ITOs with other firms presents difficulties for ITOs to establish and maintain because of the invisibility of ITOs in the markets. ITOs' role in the distribution channels is often misunderstood by operators as they are perceived as simple intermediaries to access local resources.

- **Image creation and projection**

ITOs are the main representative of destinations and the protagonists tailoring the image of destinations in accordance to what they perceive the best to sell to their customers (Grosspietsch, 2006, p. 226). As an inbound tourism company producing trips and sightseeing services within a destination, an ITO plays an important role in promoting and diffusing the image of the destination they are marketing. Destination image (DI) is defined as an attitudinal concept consisting of the

sum of beliefs, ideas and impressions that a tourist holds of a destination and formed as a result of the evaluation of various elements of this destination (Crompton, 1979; MacKay & Fesenmaier, 1997). DI also consists of a continuum of functional and psychological characteristics commonly used to compare all destinations and mark their uniqueness which changes over time and space and from individual to individual (Baloglu & McCleary, 1999; Echtner & Ritchie, 1991; Gallarza, Saura, & García, 2002; Hosany, Ekinci, & Uysal, 2006). Projected image is a "pull" factor in the destination decision process, transmitted by communication channels for instance promotional materials, trade fairs or advertising campaigns to potential tourists and constructed by tour operators and travel agencies (Andreu, Bigné, & Cooper, 2000). Destination image should therefore reflect visitors' perception of the projected images but bringing this image that tourists have in mind as close as possible to the desired image of the destination is a leitmotiv challenge that destination marketers and other tourism organizations have to face (Shani & Wang, 2011). The vulnerability of DI to external factors or local settings at a destination such as negative experiences, media coverage or even disasters can contribute to the difference between the perceived image and the projected image of a destination. Andreu et al. (2000) compared in their research the projected and perceived image of Spain as destination and concluded that the two images were slightly different as the projected image was purer and more abstract with many positive aspects while the perceived image may have been altered by word-of-mouth negative feedbacks communications. Grosspietsch (2006) also compared the perceived and projected image of Rwanda from both visitors and tour operators' perspective based on two separate questionnaire surveys handed to non-Rwandan nationals who have just visited the country and international tour operators who featured or were planning to feature Rwanda in the near future. The findings revealed that the two images were also different with a much more negative and gloomy picture

from the tour operators because of security issues. It is therefore logical to assume that no matter how good and efficient tourism organizations are projecting the image of a destination, if external factors are altering this image, the perceived image of this destination is more likely to be negative.

In regards to the development of Information Communication Technologies (ICT) and transformations within tourism distribution channels (Laws & Buhalis, 2001), the roles of ITOs tended to be modified in terms of service production and distribution roles. Consumers tend to plan their holidays themselves by the mean of internet as source of information and direct contact of local tourism service suppliers (i.e hotels) resulting in the reduction of the intermediaries use in the distribution channel. However, it is argued that the advancement of ICT did not necessary reduce the number of intermediaries in the distribution channel but rather resulted in an increasingly complex array of intermediaries (Kracht & Wang, 2010). Furthermore, the key information about the destination that ITOs provide through their websites prevent potential visitors to be overwhelmed by the mass of information available online and can be regarded as a time saving process.

### 2.1.4. Research model

ITOs are involved in inter-organizational business relationships with OTOs upstream the distribution channel and downstream with local tourism service suppliers. Besides, ITOs and local suppliers' operations are depending on contextual settings within the destination which image ITOs project toward the market.

Based on the roles of ITOs and the elements involved in the elements of their marketing environment, the following model has been established to better situate the impacts of political incidents on ITOs:

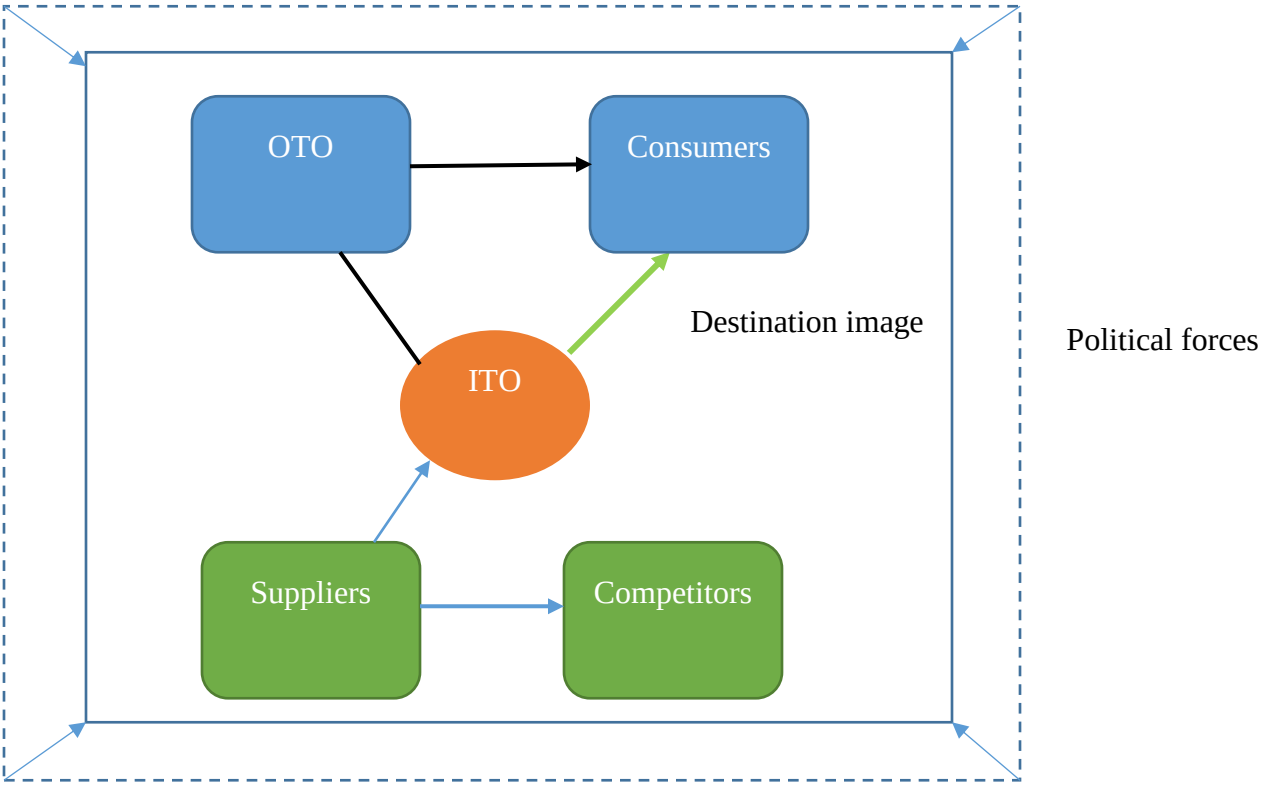


Figure 3: Research model

**2.2. Risk and uncertainty**

In time of crises, tourism industry is highly subjected to distinctive sources of risk due to the intangible nature of tourism itself (Williams & Baláž, 2015, p. 272). Introduced to consumer behavior researches by Raymond A. Bauer, the notion of perceived risk has been the center of several studies in tourism management literature (Stone & Grønhaug, 1993). While risk is defined as the probability of certain adverse events multiplied by the magnitude of their consequences, perceived risk is the intuitive, individual perceptions of these factors (Brun, 1994; Reichels, Fuchs & Uriely, 2007; cited in Gjerald & Lyngstad, 2015). As uncertainty is an element of risk, the two concepts are often interchangeable. The difference between these two concepts resides in the probability of the outcome. While one can assign probabilities to the negative consequences for

risk, it is difficult to attach any probability to a set of consequences for uncertainty (Bauer, 1960; Stone & Grønhaug, 1993).

The concept of risk has been studied upon three levels: general tourism risks and perceptions of risk from the tourists' point of view, suppliers' subjective perceptions of risk in tourism and the generic types of risks in value and supply chains from the producers' perspective (Gjerald & Lyngstad, 2015). Tourists are majorly associating risks in tourism with security and safety related issues within tourism destinations like terrorism, political instability and health (Fuchs & Pizam, 2011; Larsen, Brun, Øgaard, & Selstad, 2007; Sönmez & Graefe, 1998; Williams & Baláž, 2015). These risks are not only considered before purchasing tourism products but are also of concern while consuming these products and services. From the suppliers' perspective, the risk resides in the interdependency of each actor in tourism distribution channels in terms of partnerships, partner selection and the transformation of the distribution channels (Lyons &Metha, 1997; McKnight, Cummings & Chervany, 1998; Nooteboom, Berger & Noorderhaven, 1997; Paulraj & Chen, 2007; cited in Gjerald & Lyngstad, 2015). Producers are generally exposed to three generic types of risk: operational risk reducing their ability to produce services/products, strategic risk represented by competitors and consumers related threats to the company's business strategy and financial risk involving any factor influencing cash flows (Harland, Brenchley & Walker, 2003; Nordin, Kindström, Kowalkowski, 2011; Sadgrove, 2005; Simons, 1999; Slywotsky & Drizik, 2005; cited in Gjerald & Lyngstad, 2015).

The Capital Asset Pricing Model (CAPM) identifies two forms of risks faced by tourism companies: unsystematic risks stemming from companies' specific events like poor design or marketing and unavoidable systematic risks stemming from market volatility due to exogenous hazards such as economic recessions, natural disasters or political crises (Sharpe, 1964; Van

Horne, 1998; cited in Williams & Ballàz, 2015). William and Ballàz (2015) also stated that tourism companies are always facing risk and uncertainty because of an unknowable future and a relatively limited tacit knowledge of other places. Furthermore, in the distribution chain for organized tours, uncertainty is principally connected to difficulties for the customer in inspecting the product beforehand while risk stems from the probability to damage the image or reputation of the product in connection with the destination and the provider's reputation in terms of service quality (Ø Jensen et al., 2001).

William and Ballàz (2015) proposed four main strategies to manage risks at the company's level: (i) acquiring and utilizing knowledge involving seeking knowledge about risks and how to manage them from both internal and external sources and then apply it to the company's own operations, (ii) developing trust-based relationships especially with other companies in terms of task performing, (iii) diversifying portfolios of activities or destinations and finally (iv) hedging or relying on insurance whether for particular events or general operations. Tourism companies also have to implement specific measures to ensure their customers safety and reduce any risk they may encounter during their trip within a destination.

Risks that ITOs are perceiving are not only limited to their customers but also concern their partnerships both upstream and downstream the tourism distribution channel. Trust between interdependent actors in tourism value chains is important to ensure the institutions-individuals cooperation and risk is a critical factor in the perceived importance of trust when choosing an exchange partner (Jensen, 2009; Lyons & Mehta, 1997; McKnight, Cummings & Chervany, 1998; cited in Gjerald and Lyngstad, 2015). Gjerald and Lyngstad (2015) conducted a qualitative study of the service risk perceptions and risk management strategies in business-to-business tourism partnerships of ITOs in Madagascar and suggested that the biggest risks perceived by ITOs are

towards their local suppliers with the uncalibrated service quality they are providing, the lack of relevant competence among them and the product constraints and product associated costs. In addition to these supplier-induced threats to ITOs products, they also identified market information and expectations as a tourist-induced risk as what tourists and outbound agencies expect prior the visit can affect the overall perceptions of the product quality and the lack of accurate information about Madagascar can affect the destination image and create unrealistic expectations. To cope with these risks, four strategies have been suggested: market analysis and communication targeting the downstream (towards outbound agencies) end of the value chain, enhancement and control of value creation involving the co-creation of products with tourists, competence development to cope with the local partners' lack of competence and diversification of the range of service providers and products. These authors finally argued that even though the biggest risks are perceived upstream the value chain, the most applied risk management strategy targets the downstream end of the value chain. In terms of partnership, ITOs are more likely to prioritize their interactions with the outbound agencies, sources of tourist flows rather than maintaining their local partnerships, which they can shift following their needs.

## 2.3. Crisis and crisis management

### 2.3.1. Crisis and disasters

- **Definition**

Despite the fact that tourism is the largest and fastest growing industry in the world (WTTC, 2008), it has been affected by an increased number of crisis and disasters around the globe (Pennington-Gray & Pizam, 2011). Several authors have attempted to define the concept of crisis. Selbst (1978; cited in Faulkner, 2001) focuses on a definition based on crisis perception and defines a crisis as "any action or failure that interferes with an organization's ongoing functions, the acceptable

attainment of its objectives, its viability or survival or that has a detrimental personal effect as perceived by the majority of its employees, clients or constituents". Pauchant and Mitroff (1992) focused on the disruptive effects of crisis and defined it as "a disruption that physically affects a system as whole and threatens its basic assumptions, its subjective sense of self and its existential core". From an organizational context, a crisis is a situation faced by an individual, group or organization which they are unable to cope with by the normal use of normal routine procedures (Booth, 2015). Moreover, a distinction between the terms "crisis" and "disaster" states that a crisis describes a situation "where the root cause of an event is, to some extent, self-inflicted through such problems as inept management structures and practices or a failure to adapt to change", whereas a disaster can be defined as "where an enterprise is confronted to sudden unpredictable catastrophic changes over which it has little control" (Faulkner, 2001, p. 136). This distinction explains the cause-effect relationship between the two concepts as a disaster from outside an organization is the cause of crisis within this organization.

Figure 4 represents a framework that shows the cause-effect relationships between clusters or individual crises. Human-induced and natural disasters appear to have severe socio-economic effects than organizational and technological-based clusters. Some clusters can however be combined and result in a crisis as the example of the World Trade Center incident in September 2001 which results from the combination of terrorism and transport disaster. Moreover, depending on how it evolves, a crisis can move from normal to severe and can also resolve itself or generates new ones (Santana, 2004).

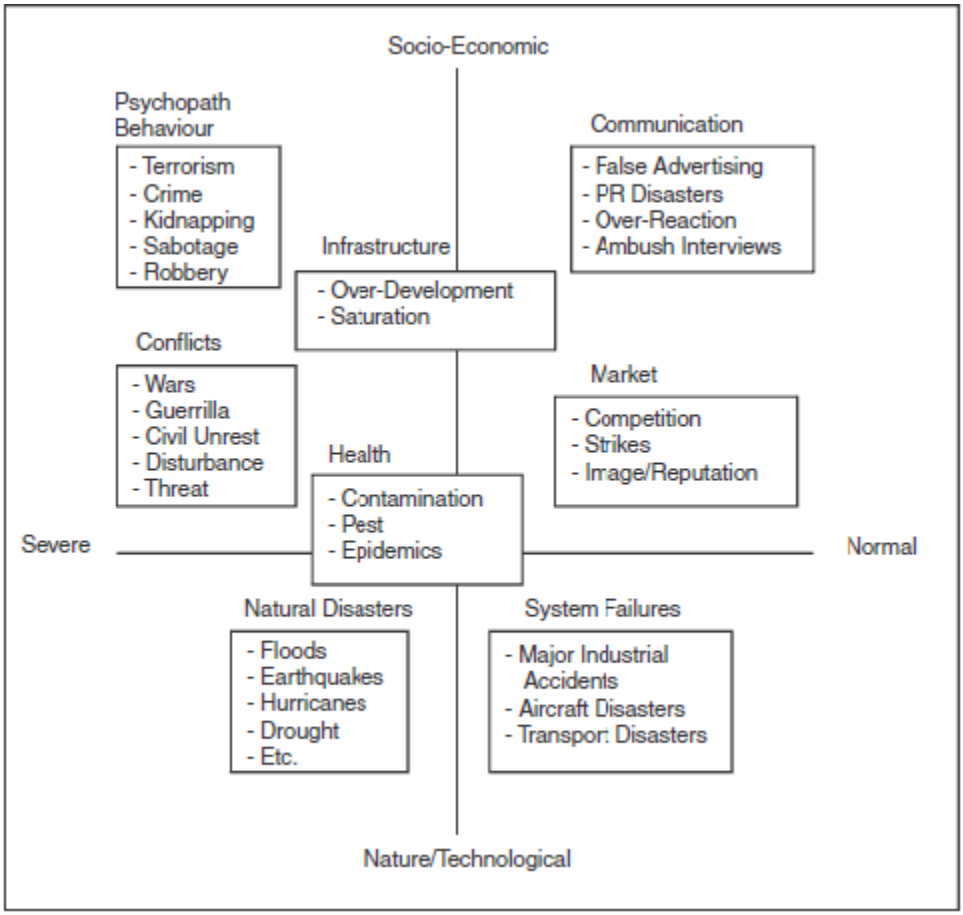


Figure 4: A framework of generic causes of crises in tourism (Santana, 2004)

- **Types of crises and disasters**

Following time dimension, three types of crises can be suggested: (i) immediate crises where little or no warming exists therefore organizations are unable to research the problem or prepare a plan before the crisis hits, (ii) emerging crises which are slower in developing and maybe able to be stopped or limited by organizational actions and (iii) sustained crises which may last for weeks, months or even years (Parsons, 1996). From an organizational perspective, Booth (2015) suggests three major types of crises: the first is a gradual external erosion or internal decline, which threatens the organization, the second is a periodic threat or loss to part of the organization and the

third one is a sudden threat or loss to the whole organization. Disasters can be divided into those with natural causes like hurricanes and earthquakes, those that are technological or man-made such as nuclear accidents and oil spills, those that are health related for example epidemic diseases and endemic diseases and those that are conflict-based for instance wars and political insecurity (Faulkner, 2001; Pennington-Gray & Pizam, 2011). Previous studies supported that tourists are concerned disasters involving humans more than nature-induced disasters (Plog, 2005). Moreover, Cavlek (2002) insisted that all disasters can turn away tourist flow from the impacted destination but war, terrorism or political instability have greater psychological negative effect on potential tourists on planning their vacations. Pennington-Gray and Pizam (2011) also highlighted four types of disaster impacts:

- (i) Individual impacts which directly concern tourists and their behaviors. Tourists are more likely to modify their travel behavior in the event of a crisis or disaster by travelling to a safer place, cancelling the travel plans or even requesting a refund for evacuation (Valencia & Crouch, 2008).
- (ii) Economic impacts that can be quantified by the decline of tourist arrivals and income of all the various sectors in tourism industry.
- (iii) Social impacts mostly experienced by the local residents in the destination.
- (iv)Institutional impacts damaging the destination image designed by tourism organizations and decreasing the destination competitiveness.

- **Crisis and disaster life cycle**

Understanding the nature of crises and disasters, their life and potential impacts can help in the development of effective strategies by organizations in order to stop or reduce the severity of their impacts on business and society (Ritchie, 2004; Santana, 2004). Santana (2004) notes that a crisis

follows a pattern of at least three phases: the pre-crisis period, the crisis itself and the post-crisis period. However, this author also points out that a crisis can occur without warning, which suggests that crises are unpredictable.

### 2.3.2. Crisis management

A crisis in tourism has to be controlled and this can be done successfully through a comprehensive crisis management (Cavlek, 2002). Crisis management is defined as an ongoing integrated and comprehensive effort that organizations effectively put into place in an attempt to first and foremost understand and prevent crisis and to effectively manage those that occur, taking into account each and every step of their planning and training activities as well as their stakeholders interests (Santana, 2004). This operational definition covers the levels that can be affected by the crisis in the core environment of an organization. Crisis management is also defined as an effort that provides an organization with a systematic, orderly response to crisis situations (Cushnahan, 2004). The latter definition underlines the fact that crisis management is a process that requires an amount of time to be implemented.

Because of the unpredictability of crises, organizations can unpredictably be subjected to crises and the absence of some form of crisis management planning is often a decisive mistake made by organizations (Fink, 1986; Spillan & Hough, 2003). Besides, as tourism industry is very sensitive to crises and disasters (Cushnahan, 2004; Hall, 2010; Pennington-Gray & Pizam, 2011; Santana, 2004), it is more than essential to establish this process as a requirement for tourism organizations in order to lessen and prevent the impacts of eventual crises.

Ritchie (2004) elaborated a strategic and holistic approach to crisis management consisting of three stages: (1) crisis prevention planning stage which involves planning and formulation of policies and procedures, (2) strategic implementation stage which operationalizes the policies and

procedures including proper communication and control as well as resource management and allocation and finally (3) resolution, evaluation and feedback stage involving crisis recovery and recording any lessons learned. Santana (2004) adapted Pauchant and Mitroff (1992)'s approach of crisis management phases. Following the crisis lifecycle, this approach highlighted three phases in crisis management: the warning signals detection/preparation and prevention phase which aim is the prevention of all crises since they cannot all be prevented but the detection of the warning signals and preparing the organization to effectively respond to impeding crises, the containment and damage limitation phase in which the crisis occurs despite the prevention phase and its purpose is to limit the crisis effects and contain them to not engulf in other parts of the organization, the last phase is the recovery stage in which organizations seek to repair the damages to their images and strategic goals including the recovery of the normal business operations as soon as possible.

Furthermore, Penningnton-Gray and Pizam (2011) also outlined four main functions of crisis management:

- Preparedness with the objective to lessen the disaster damage, enhance disaster response operations and prepare organizations and individuals to respond.

- Response: to provide emergency assistance, reduce probability of additional injuries or damage and speed recovery operations.

- Mitigation: this function should occur before the disaster takes place and is intended to eliminate or reduce the probability of occurrence. But this function can also take place after a disaster and seek to implement the lessons learned from the disaster.

- Recovery: this final function seeks to return systems to normal levels.

Moreover, protecting the destination image is an important goal in tourism crisis management (Faulkner, 2001; Cavlek, 2002).

An important step after crisis management is crisis communication which provides information to key publics and helps tourism destinations to limit the impacts of a crisis and recover from incidents from safeguarding the destination image and reputation (Ritchie, Dorrell, Miller, & Miller, 2004). Organizations have to implement an effective communication strategy by providing a consistent message to all stakeholders in order to build credibility among the publics (Combs, 1999; cited in Ritchie et al., 2004).

# Chapter 3: Method

The main aim of this study is to get a deep understanding of how political crises affect ITOs and which challenges are stemming from these consequences. Using qualitative studies helps to explore a topic or phenomenon with a detailed view, understand this phenomenon and study individuals within their natural settings (Creswell, 1998; Golafshani, 2003). Given the exploratory nature of the study, a qualitative approach was more appropriate to better capture the ITOs own perceptions of the phenomenon. Furthermore, qualitative data emphasize on people's lived experience and are well suited for locating the meanings people place on the events processes (Miles, Huberman, & Saldana, 2014). A qualitative approach was also chosen in order to find the answers to the proposed research questions of this study.

## 3.1. Research design

An explorative design was chosen as the overall design for this research that needs to explore and get an insight on political crises effects on tourism companies in Madagascar. Neuman (2014) stated that explorative designs address the "what" question and "there is" as an answer. The choice of the constructs used in this research fits this kind of design as "there is" a crisis and crisis management involving destination image and risk and uncertainty but needs to explore them from ITOs perspective. Case studies provide in-depth details of a "bounded system" or case for one period or across multiple periods in time and involve a data collection with multiple sources of information rich in context (Creswell, 1998; Neuman, 2014). Based on that, a case study approach has been employed because there is a plethora of tourism companies but the case of ITOs is the concern of this study.

### 3.2. Sample

Neuman (2014) defines a sample as a small set of cases a researcher selects from a large pool and generalizes to the population. Because this study adopts an explorative-qualitative design, rather than a random sampling, a purposive sampling was more appropriate to get precise information about the context of interest. The sampling was made with the use of official membership lists of TOP Madagascar and GOTO Madagascar which are the associations gathering ITOs in Madagascar. In addition, to maximize the variance in the sample which is a requirement in explorative designs, some criteria as listed in Gjerald and Lyngstad (2015) were also used to select the participants: (i) product (classical tour package or niche adventure tourism products), (ii) size (small and medium sized or big tour operators), (iii) ownership and organizational structure (locally owned or a part of larger international corporation), (iv) market profile and (v) operating record (newcomer or well-established). Another selection criteria was the number of years of experience (Jensen, 2009) or the year of creation which helped to situate ITOs along the chronical appearance of the two political crises.

Following Gjeral and Lyngstad (2015)'s method, with the 62 enlisted in TOP and the selection criteria in mind, 35 large and small ITOs working in different markets and having diverse products and having various ownership and organizational structures were contacted by email. A snowball sampling has also been used three times to reach some recommended ITOs to participate. It was also interesting to interview ITOs not affiliated to any local association and compare their experience of crises with the members of TOP and GOTO.

### 3.3. Data collection

From a case study approach, primary and secondary data collection methods were used to gather the information needed for this study. Primary data collection was conducted in March 2016 in

form of face-to-face interviews. Neuman (2014) specified that face-to-face interviews allow researchers to get the highest response rates and permit the longest and most complex questionnaire. The interview guide consisted of a semi-structured questionnaire with open-ended questions to allow the interviewees freely express their opinions. The key informants were in most of the cases the managers, the owners or the head of tour operating departments. The interviews took place at the company's local, which was the most suitable for the interviewees and at a time both interviewees and interviewer agreed on. The key informants were also allowed to choose whether the interviews would be conducted in Malagasy, French or English in order to easily get the maximum information. Due to the unavailability of two key informants for their interview appointments, the questionnaire was handed out by email, filled out by key informants and collected back via email. All the key informants were primarily asked to present their companies by stating their year of creation, products and services, main markets and sources of customers (whether working with international tour operators or directly selling to customers via internet or both). Subsequently, they were asked to describe the effects of the political crises on their companies and the actions they took to cope with these consequences. The next conversations focused on the image of Madagascar they are projecting and whether this image was affected by the disasters. Finally, participants were asked how they perceived the risk and uncertainty within the Malagasy tourism industry and how they managed them. The sessions that lasted between of 10 between 55 minutes were recorded and later on transcribed. Theoretical saturation in which new informants do not yield new or different information or experiences (Gjerald & Lyngstad, 2015) was achieved with the 17$^{th}$ interview and marked the end of recruiting new participants.

Secondary data collection consisted of written statistical and internet based materials supplied by the respondents via their webpage and other organizations related to tourism. This data collection

procedure was important to get a deeper insight on the ITOs profile and complete the possible missing information during the interviews.

### 3.4. Reliability and validity

Patton (2001) states that reliability and validity are two factors that any qualitative researcher should be concerned while designing a study, analyzing results and judging the quality of the study. If quantitative researches use the term “reliability” to refer to trustworthiness, qualitative researches use the terms “credibility”, “consistency” or “dependability”. Therefore, reliability is described as the degree of consistency or dependability with which an instrument measures the attribute it is designed to measure (Long & Johnson, 2000). Data should be stable over time which means that no matter how many times we measure the results should not differ (Neuman, 2014).This is however questionable whether the outcomes would be the same because people are different from one another and changes may occur during the process. In this study, the interviews, which are one of the techniques conferring consistency, were conducted in a consistent manner with the audio-recordings and the manual transcription completed by field notes to secure the data. Following Brink’s (1991; cited in Long & Johnson, 2000) three tests of reliability in qualitative work, stability was established when the key informants gave consistent answers for identical questions, consistency was achieved with the concordance of key informants answers with the topic of the interviews and equivalence was established when formulating the questions in a different manner but with the same meaning and the key informants’ answers remained the same. Furthermore, even if they were researched in different contexts, the three concepts used in this study are not unfamiliar and some of the processes and measures in previous studies were also used for this research.

In qualitative studies, validity aims to achieve authenticity which refers to offering a fair, honest and balanced account of social life from the point of view of the people experiencing it and providing a detailed view of how these people understand events (Neuman, 2014). In order to get authentic answers, the interviewer tried to make the key informants the most comfortable possible by confirming the appointments at least 24 hours earlier, sending a brief summary of the interview guide the day before the appointment, explaining or reformulating some of the questions and conversing in an informal atmosphere. Neuman (2014) further states two kinds of validity: internal and external validity. Internal validity means there is no error with the internal design of the study that might lead to false conclusions while external validity refers to whether the results can be generalized to a wider range of settings (Neuman, 2014). With the objective to explore how ITOs experienced crises due to political instability, the questions handed out to the interviewees were carefully formulated to fit the research questions and in accordance to literature used for the study. Moreover, two sources of data were used to maximize the required data and indeed increased the internal validity. The findings from this research can be generalized because the key informants were purposefully chosen with a maximized variance and represent the population of interest.

### 3.5. Data analysis

In this study, the data analysis process follows Miles, Huberman and Saldãna (2014)' s method of qualitative analysis which is divided into four steps: data preparation, data exploration, data reduction and analytic memoing. In the data preparation step, all the interviews were transcribed and printed out to be read. The data exploration step consisted of reading the transcriptions and the complementary data from internet based materials to get initial themes emerging from interviewees' ideas and opinions. The third step consisted to reduce the amount of data by looking for codes and pattern data. Codes are labels that assign symbolic meaning to the descriptive or

inferential information compiled during a study (Miles et al., 2014). According to Saldãna (2013; cited in Miles et al., 2014), coding is divided into two major stages: first cycle coding in which codes are initially assigned to the data chunks and second cycle coding consisting of grouping the codes into a smaller number of categories, themes or constructs. In the first cycle coding, descriptive, process and holistic coding methods were appropriate to summarize the data given the nature of ITOs as the units of analysis and the description of their experience of political crises. Descriptive codes assign labels to data to summarize in a word or short phrase the basic topic of a passage of qualitative data, process codes exclusively connote observable and conceptual action in the data and holistic codes capture the sense of the overall contents of the data (Miles et al., 2014). It is also suggested to count the frequency of codes in order to identify some relations among the patterns. Once the data are summarized to an array of individual codes, the second cycle method or pattern coding condenses the initial codes into categories or themes, causes/explanations, relationships among people and theoretical constructs. The last step of analysis consists of an analytic memo that attempts to synthetize the summarized data into analytic meanings including the researcher's reflections about the data.

Given the nature of ITOs experience of political crises, a time ordering display was chosen to display the findings. Ordering by time uses chronology as an organizing framework for examining data as they change across time (Miles et al., 2014). Among the time ordering display matrixes, event-listing matrix was more appropriate to this study with a series of concrete events sorted into several categories (effects, risk perceptions, crisis management and risk management) and arranged by chronological time periods (short, medium and long term).

# Chapter 4: Findings

This chapter outlines a description of the achieved sample followed by the findings illustrated by citations from the ITOs' interviews.

## 4.1. Sample description (profile of ITOs)

14 out of the 35 ITOs contacted agreed to participate in the research while 3 ITOs were obtained from the snowball technic. The achieved sample gathered 17 ITOs, all located in Antananarivo, in which 16 were members of TOP, 6 were members of GOTO Madagascar and 1 was neither a member of TOP nor GOTO. Table 1 lists the interviewed ITOs identified by the interview number in the parentheses to maintain their anonymity.

Most of the interviewed ITOs had classical and generalized tour packages including the famous attractions in the whole destination while only few were specialized in specific part of the island like the eastern region, in specific activities such as river descents and in luxury tourism services. Although the French market was the main target since the beginning of tourism development in Madagascar, 76% of the interviewed ITOs were orienting their market towards English-speaking countries for instance German-speaking countries, Italy, Australia, Great Britain and lately some countries in Eastern Europe. 15 small and medium sized tourism companies were locally owned whereas 2 larger companies were parts of international corporation. 6 ITOs had experienced the two political crises, 6 others had only handled the political crisis of 2009 and 5 were created the year political crises appeared.

| Name | Product | Market | Size | Creation |
|---|---|---|---|---|
| ITO1 | Generalist | German | SME | 2007 |
| ITO2 | Generalist | French | Large | 1998 |
| ITO3 | Specialist | French | SME | 1996 |
| ITO4 | Generalist | German | SME | 2005 |
| ITO5 | Specialist | North American | SME | 2009 |
| ITO6 | Specialist | Anglophone | SME | 2002 |
| ITO7 | Generalist | Anglophone | SME | 1990 |
| ITO8 | Generalist | Anglophone | SME | 2000 |
| ITO9 | Generalist | Anglophone | SME | 2009 |
| ITO10 | Specialist | Anglophone | SME | 2004 |
| ITO11 | Generalist | Anglophone | SME | 2009 |
| ITO12 | Generalist | Anglophone | SME | 2008 |
| ITO13 | Generalist | North American | SME | 1992 |
| ITO14 | Specialist | Anglophone | Large | 1990 |
| ITO15 | Specialist | Anglophone | SME | 2005 |
| ITO16 | Generalist | French | SME | 2006 |
| ITO17 | Specialist | French | SME | 2009 |

Table 1: Interviewed ITOs

## 4.2. The effects of political crises

### 4.2.1. Perception of the type of crises

Even if Madagascar was subjected to political problems before the development of tourism, the crises emerging from both 2002 and 2009 political incidents were immediate with no warnings for tourism companies to be prepared to face. Rather than organizational crises that can be internally managed, the crises were exogenous and complex requiring involvement from many stakeholders to be successfully managed.

> "Tourism just started to develop and so did our company, but suddenly riots happened in many parts of the countries, destroyed the peaceful image of Madagascar and disrupted all activities in tourism industry" (ITO 14).

> "Tourism was at its apex in 2008, every tourism company including ours made a lot of benefits. Then, when 2009 began, everything suddenly went wrong with all of our planned activities for the high season being frozen or cancelled. We really did not expect to be in crisis after such a perfect year (2008)" (ITO 15).

#### 4.2.2. Immediate impact: decrease of demand

All the 17 ITOs tended to have experienced the same effects of both crises even if there is a slight difference between "older" and "newer" ITOs. As insurrections and riots were the main aspects of political crises in Madagascar, ITOs noticed that they happened at the beginning of the year of crisis, which would definitely have impacts on the following high season of July and August the same year. The majority of tourists cancelled their planned journeys to Madagascar judging the destination unstable and risky. Potential tourists were also likely to exclude the country as a destination for summer holidays despite its assets. These cancellations disrupted ITOs activities and planned organized tours for the high season, which made them, struggle to maintain their business. "Older" ITOs with several years of experience in the industry saw their companies threatened by the decrease of demand with uncertain direct sale and loss of source of markets from international tour operators. ITOs also expressed that the decline of demand was majorly from international tour operators, which were in control of the flows of group tourists.

> "We lost a lot during the crises. 90% of our planned tours had been cancelled and we had to refund both our customers and local partners. Some of our international

partners decided to not sell Madagascar among their travel destinations, we only had few direct customers and that only during the high season" (ITO3).

Figure 5 shows the evolution of international tourist arrivals from 2000 until 2012 including the years when political crises occurred. Even if tourism was at its early stage of development in the beginning of the 2000s, the decrease of tourist arrivals was greater than in 2009. International tourist arrivals in 2009 decreased by 50% in comparison to 2008 while the decrease in 2002 was almost 72%.

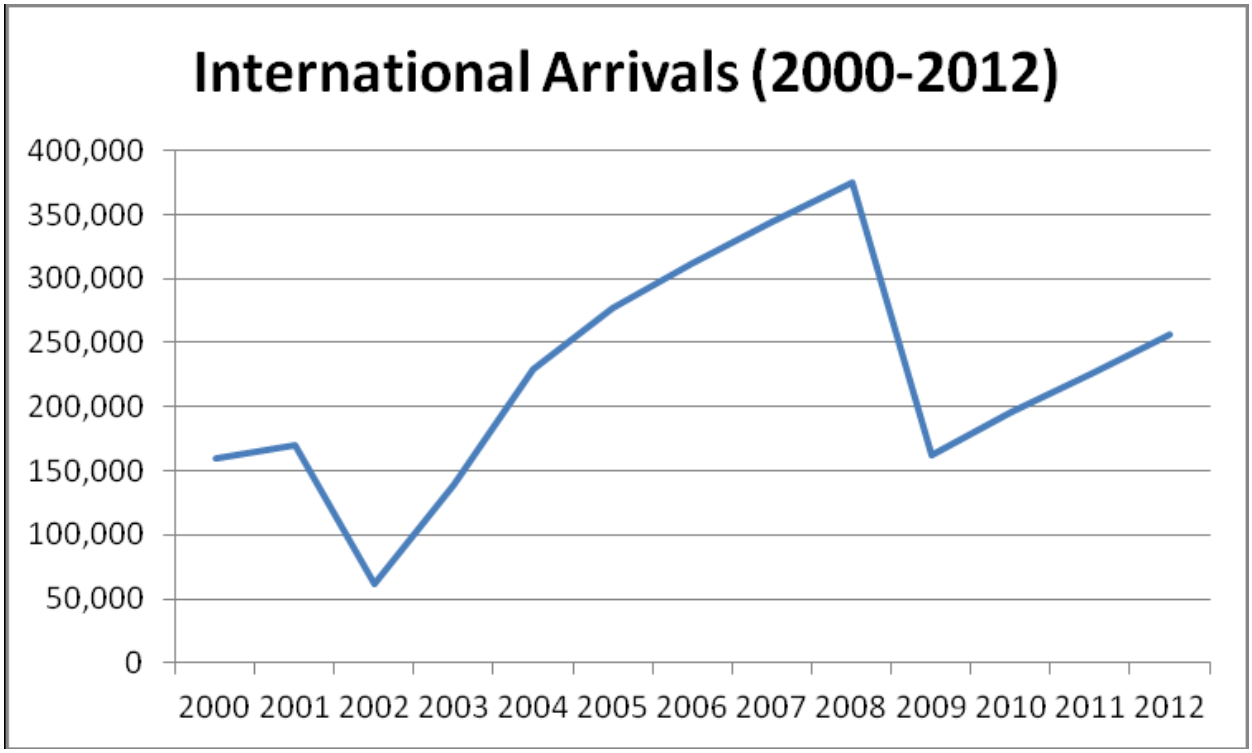


Figure 5: International arrivals from 2000 to 2012 (Ministry of Tourism, 2013)

Individual tourists from direct sales were indeed the main source of revenue, which to some extent strengthened the reputation of the concerned ITOs.

> "During the crisis period, we had more direct sales than sales from our wholesalers partners. It is not a lot but at least it partially covered the loss from the cancellations" (ITO8).

However, the decrease of demand had no strong impact on "newer" ITOs, which just started to enter the tourism industry. At this point, their customers were limited to few occasional individual visitors who despite the political climate were willing to discover the destination.

> "We just started our business. With the few customers we had, it was not a great decrease for us. On the contrary, we surprisingly got more customers during the year of crisis" (ITO12).

> "One positive point about the crises is that they put everyone on the same level" (ITO5).

#### 4.2.3. Medium term impacts

Apart from the decline of demand, the crises also caused institutional problems for ITOs even if the political climate improved with efforts by the government to reestablish peace after the riots.

- **Period of inactivity**

With the cancellations of organized tours, ITOs had to face months or years of inactivity depending on the intensity of the immediate impacts, the way they handled those impacts and the venue of new customers. Some "newer" ITOs had no real period of inactivity but instead only a downturn of sales, some with stronger partnerships and direct sales had only few months of inactivity before getting back to normal routines and some had many difficulties to return to their normal procedures and stayed inactive for more than a year.

> "With no customers from our foreign partners in addition to a scarce and uncertain direct sales we spent the first 6 months after the crisis in a precarious situation which led us to the decision of temporarily closing the company until the situation got better" (ITO10).

> "We had been totally inactive during two years since it was difficult to find new partners when ours froze the cooperation and our direct sales was not strong enough to maintain our activities. Of course, we immediately came back once the situation was better" (ITO3).

> "We had a good partnership with our international partners to who we told to wait until the situation got better. Indeed, six months after the riots we got back to our normal activities with the same partners in addition to direct customers" (ITO14).

In contrast with the decline of demand followed by a period of inactivity, the statistics as showed in table 2 indicate a growing number of tourism service providers including inbound tour operators and travel agencies. This growth pattern expresses an opportunity to improve the service quality that the supply side can offer but also induces a lot of competition among suppliers.

| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **Change from 2003-2012** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Service providers** | 553 | 589 | 709 | 755 | 825 | 861 | 902 | 967 | 1019 | 1280 | 131% |

Source: Madagascar tourism sector review (2013)

Table 2: Growth of tourism service providers from 2003 to 2012

- **Internal changes: downsizing and layoffs**

With the period of inactivity, ITOs had to go through company downsizing measures and reduced the number of their employees. This later caused an increase of unemployment rate in the country.

> "If we had six employees in the company, we had to reduce it to only two people until we recovered from the crisis" (ITO1).
>
> "The company could not afford many employees while totally inactive, so I decided to manage the company alone while waiting for tourism industry to recover" (ITO17).

- **Damaged destination image**

As the creators of the image of Madagascar as a destination, ITOs met difficulties in maintaining this image after the crises. They were projecting Madagascar as a destination rich in wildlife and culture but the crises transformed it to a risky and unsafe destination. After the insurrections and riots ceased, tourism companies were still not able to reestablish the projected image as the country was in a transitory political period with a high risk of political swings. The psychological attributes like political-economic factors, security, safety and social environment were the most concerned dimensions of the damaged DI. Despite the efforts of ITOs to rebuild the projected image, Madagascar is still perceived as a highly volatile destination because of two major sources: on one hand, international tour operators that lost trust in their inbound partners and highly recommended their customers to avoid the destination and on another hand the media coverage narrating each incident linked to the local political situation. When deciding about their travels, potential tourists rely on all the provided information but with OTOs and media as source of information, they are more likely to maintain a negative image of the destination.

> "After the crises and even nowadays, it is still difficult to convince people to travel to Madagascar. The destination is expensive but easily subjected to riots or strikes, it would be normal for tourists not to purchase it. No matter how we project the natural and cultural assets of Madagascar, tourists are reticent to spend their holidays in a country with a low security level. And hearing or reading information about security problems in the country will surely make potential tourists reticent to travel here even if the problems of concern were minor" (ITO 4).

#### 4.2.4. Long term impacts

- **Late recovery (after 2009)**

Although the local government reestablished peace, the crisis in tourism industry sustained through the months and years. Some companies quickly recovered while some others had to face longer period of disrupted activities before recovering. Whereas tourism had rapidly recovered from 2002 crisis, the recovery period for 2009 was longer due to the economic downturn the country faced after the political crisis. The industry as a whole may have recovered but the tour operating service providers are still struggling to perform their activities.

> "Despite the sudden crisis we had to face, it only took us less than a year to get back to our normal activities with even more customers. However, the crisis of 2009 was different because even two years after we could not achieve the half of our 2008 performance. Yet, we still cannot say that our business is getting closer to that" (ITO 7).

Figure 6 presents the evolution of international arrivals during the last decade. The year after the political crisis of 2009, tourism started to recover with 196 052 visitors compared to only 162 687 visitors in 2009 but 2011 was the year in which the recovery was significant with 225 055 visitors.

The following years showed a regress in 2013 due to the presidential elections but then presented increasing numbers of arrivals in 2014 and 2015.

Figure 6: International tourist arrivals 2006-2015 (Ministry of tourism, 2015)

- **Economic downturn**

Many of the interviewed ITOs mentioned that the post political crisis economic downturn was a great barrier to tourism recovery and development. The political climate itself did not occur as a barrier to tourism but the economic crisis emerging had a disruptive effect on each sector of tourism industry. The two crises differed from their post political crisis economic situation. Whereas the economic situation quickly recovered from 2003 with a concrete plan of development, the absence of economic recovery plan and foreign investments caused the downturn of economy after 2010.

> "The decline of demand caused by the political crisis of 2002 was greater in comparison to the 2009's but we quickly recovered with the efficiency of 2004's Tourism Master Plan which short and medium term actions boosted tourism. On the

> contrary, foreign investments were cut off after 2009 and there was no particular concrete plan for tourism sector" (ITO3).

All the investments for tourism progress purposes met setbacks that created gaps between the price of the destination and the quality of infrastructures.

> "Madagascar is a very expensive destination so tourists expect at least a high level of service quality. Nevertheless, we cannot offer that with the poor quality of our current infrastructure without support from international donors or investors. Investments are vital for tourism businesses" (ITO2).

Following the downturn, the existing road networks to ensure access to the primary attractions started to get in poorer quality with no or a limited maintenance. The restriction of air access due to the internal problems of the national airline company Air Madagascar that depends on governmental policies was identified as the greatest long-term effect that stunted ITOs tour packages with a lot of domestic flight delays or even cancellations.

> "Offering a good service quality is a requirement for our tour packages. With the poor road infrastructure, we have to rely on domestic flights to save time and provide comfort to our customers. But with these intensified domestic flight problems, we are obliged to reprogram the timing of our tours at the last moment which makes us lose money, time and even the trust of our customers" (ITO 9).

> "We are planning our tours months or sometimes a year before the customers' arrivals and then when they are supposed to get the flight it is suddenly delayed a day or cancelled. The customers are outraged and we are the first to get the blame for that.

> In 2015, we lost approximately 60% of our clients due to the absence of domestic flights" (ITO 15).

### 4.3. Risk perceptions

Because of the high level of political risk in the country, political instability has been identified as a great risk factor making each sector in tourism industry vulnerable to crises. This exogenous risk was pointed out on several occasions as the factor triggering disruption of tourism activities and creating uncertainty for tourism service providers.

> "The greatest risk factor is surely the instability of the local government because it will result in disrupting all the activities concerning tourism as we depend on local policies and economic conditions" (ITO 15).

#### 4.3.1. Safety and security issues

Political instability itself is not the real problem but the issues associated with it are the causes of vulnerability of tourism industry. Safety and security issues were pointed out to be the most perceived risk especially for international tourists coming to visit the country. Although insecurity concerned the cities that are far from the attractions locations, tourists do still not perceive themselves to be safe when visiting Madagascar because of robbery incidents amplified by media and negative feedbacks from previous tourists.

> "With the political instability which results in the local government's inability to ensure security in the country, the safety of tourists cannot be 100% ensured by our own efforts. For example, the single cases in which tourists were robbed while camping on a riverside or during their trip back to the capital, those cases were due to the lack of security elements that is caused by the slowdown of our economy. The

negative feedbacks from these tourists will definitely make Madagascar as a risky destination" (ITO 13).

"Bandits do not usually attack tourists; they are more likely to target local people wealth. However, with the increased rate of poverty due to the emerging economic crisis after 2009, they had no more wealth from local people to rob which makes them targeting tourists. And it is obvious that because of these mediatized robberies; tourists are dissuaded to not travel to our country for safety matters" (ITO8)

### 4.3.2. Loss of partnerships

Because of the interdependence between local suppliers, ITOs, international tour operators and customers in the distribution channel, ITOs perceived a high risk in losing their partners both upstream and downstream in the channel. The high level of political risk and high security risk were advocated as factors inhibiting international tour operators' decisions to pursue their collaboration with inbound partners. Even if ITOs attempt to diversify their source of markets, a leitmotiv change of partners would not be suitable for their stability and sustainability. Furthermore, cooperating with local suppliers' demands a lot of effort from ITOs, which have a delicate choice of which establishment, fits their price and the expected service quality.

"International tour operators may consider our country unstable because of the political issues which are still of concern at the moment we are talking. If they see any issue related to politic, they can just remove Madagascar from the destinations they are selling. Not only it will be a great loss for the destination, we are also affected with a lack of group of tourists to complete our direct sales" (ITO 6).

> "It is difficult to find a good partner like a hotel that can offer accommodation suiting the price and the quality we set. If our partner is bankrupted because of the impacts of a political crisis, we will have to process to partner selection repeatedly. That is a waste of time and effort for us since we need to have stable partnerships" (ITO 15).

### 4.3.3. Risks as producers

#### 4.3.3.1. Operational risk: product constraints

Political crises amplified the risks that reduced the capacity of ITOs to produce their tour packages. ITOs are not able to project in the future nor make any investment to improve and develop their products. When tours are planned months before tourist venues, there is still a great uncertainty that they will be performed on time because of probable cancellation if any political issue occurs or delays in domestic flights.

> "Our future is extremely uncertain because of the political situation. The tours we planned may never be achieved if the clients decide to cancel or if there is suddenly no domestic flight at all the day our clients are supposed to return to Antananarivo. These situations are impossible to predict and increases the uncertainty of tomorrow" (ITO1).

> "With our current situation, it is impossible to proceed to any investment. For example, I cannot buy a car even though I wanted to improve the comfort of the customers because I do not know if a coup d'état will occur tomorrow and the company will need to survive to a crisis again. I cannot speculate about our future, we only run our business day by day without knowing what awaits tomorrow" (ITO 11).

#### 4.3.3.2. Strategic risk: competition

Competition was identified as threat to ITOs business strategy and even put their reputation at risk as well. The majority of ITOs in Madagascar are users selling the same classical tours and targeting the same market (traditional French market). There is indeed a lot of competition between classical tours sellers and difficulties in standing out from the others were mentioned.

> "Instead of cooperating, ITOs are competing a lot. The competition is not limited to the members of TOP; it also concerned all the ITOs operating in Antananarivo. Competition occurs as copying the design of website, convincing other ITOs team workers to join theirs, even stealing others tours, and rebranding them as their own."(ITO 5).

#### 4.3.3.3. Financial risk: uncertain financial situation

The decline of demand due to political issues was also mentioned as a financial risk factor influencing ITOs cash flows. Financial risk is higher when all the activities are pre booked without any insurance of payment from customers.

> "If the demand declines, so will our cash flows. The political situation has a great influence on our business because of our dependence on local contexts. The higher the risk of political issues is the more our financial situation will be precarious" (ITO 17).

> "Because of the political climate, some direct customers refuse to proceed to any payment before their arrival. This is a dilemma for us, whether we accept to proceed to bookings with a high financial risk if the customers cancel their trip or committing them to pay and increase the risk to lose these customers (ITO 16).

## 4.4. Crisis management

Because of the dependence on local policies, ITOs articulated that there was no concrete plan established by the public institutions to manage the crises and its effects. Managing the effects of the political crises was likely based on their own efforts to cope with these effects and respond to their own crises. Furthermore, as there were no warnings prior the crises, no prevention measures had been taken to lessen the damages on the companies.

### 4.4.1. Strategic implementation

#### 4.4.1.1. Diversifying the supply service portfolios

With a great decline of demand followed by a period of inactivity, most of ITOs were not able to limit the damages and contain them not to engulf in other parts of their company. Those that were only providing tour-operating services had to freeze their activities until the crisis passed or still performing for the few customers they had even if they could not make much benefit.

> "Our company is only providing tour operating services. With no customers at all it was impossible for us to implement anything else than freezing our activities and wait for the situation to get better. It was just a survival" (ITO 16).

However, ITOs with a more diverse portfolio of activities had their other departments less damaged by the decline of demand that kept the companies active despite the crises.

> "Our tour operating department was very affected by the cancellations of tours and the decrease of customers but we still could run the company with the car rental services" (ITO 1).

> "When the demand declined, we put our tour operating services in standby and focused more on the hotels we own" (ITO 13).

#### 4.4.1.2. Strategic changes

Implementing changes to cope with trends and demand requirements was also considered as a key factor in managing as well as recovering from the damages. The changes were mostly located on products and targeted markets. Several ITOs decided to diversify their classical products by including new trajectories, more cultural attractions or even new trends like ecotourism and responsible tourism in their tour packages in order to respond to the new requirements from the demand side. To reduce the impacts of air access difficulties, some tour packages were scheduled with less domestic flights or longer durations that allows providers to look for other means to transport their customers without bothering their scheduled stay. Some ITOs also underlined that the crises were the turning points that made them exclusively provide specialized tour packages. This product specialization was a step in rebuilding the damaged image of Madagascar as a destination while reinforcing the reputation of the ITOs of concern. The specialization aimed at convincing potential tourists to experience Madagascar from another angle of view and adapting the products following the new needs of purchasers. However, product changes did not pertain to ITOs with tailor made products as they were following their customers ’requirements before designing the tours.

> “We had to innovate our products to deal with the new requirements of potential clients. For example, we added more cultural encounters to our classical nature based products. Because of their unpredictability, we also included as much as we can less domestic flights or we cover the furthest track first by the mean of domestic flights and ensure our customers return with our cars” (ITO 10).

> “Too many ITOs are providing classical products. We tried to stand out by becoming a specialist of a specific region of the destination. With that vision, we will get the

> exclusivity from future customers and our partners as well when it concerns that region" (ITO 3).

Due to the economic downturn in the traditional source of market (France and La Réunion) in addition the local economic crisis in the destination, the need to diversify the source of markets became a strategic point in overcoming the effects of the crises. ITOs attempted to conquer new potential markets by actively participating in international fairs and exhibitions and looking for other international tour operators to cooperate with. As the main representatives of Madagascar in international tourism fairs, ITOs are able to directly approach potential visitors, make them discover how they can experience the destination and incite them to buy their own products. Participating in international tourism fairs also contributes in improving ITOs reputation towards international tour operators that judge their inbound partners' professionalism and direct purchasers who are somehow able to assess their service quality. Most of the ITOs also considered the use of social media as a marketing tool to establish closer contact to potential customers.

> "Since our first participation in international fairs, we are doing our best to be able to participate in those that respond to our targeted market. It helps us to show that we are a professional tourism company that can offer a high service quality and provide them the best way to experience Madagascar" (ITO 11).

> "Participating in fairs is costing a lot to a small company as ours but it allows us to meet potential purchasers and convince them ourselves to use our services instead of just rushing into the destination and encountering bad experiences. Some of our partners are even able to see how professional we are as an ITO capable of participating in fairs. In short, it is expensive but it is worth for our reputation and our direct sales" (ITO 4).

### 4.4.2. Cooperation with public and private institutions

Apart from the Ministry of Tourism (MT), ONTM is the main organization in charge of the promotion of Madagascar while GOTO Madagascar and TOP gathers tourism companies and especially ITOs for the latter. In its vision, TOP in association with ONTM implements a politic to develop tourism and contributes in the promotion of Madagascar by participating in international tourism fairs. Support from these organizations contributes in lessening the damages from the crises and implementing common recovery plans can strengthen the unity of ITOs as a system while increasing the opportunity to recover from the crises.

> "We struggled to improve ourselves as a professional ITO and finally succeeded to integrate TOP. TOP contributed to our recovery by supporting us for international fairs participation in addition to the coaching program from CBI which we got through our membership in TOP" (ITO 12).

However, the support from TOP was not perceived as equally distributed and concrete. Several ITOs mentioned that its politic to develop tourism was not or not enough implemented and too idealistic to be realized.

> "Despite the existence of TOP, we are still on our own. The politics and visions are elaborated but they are not implemented or visible by us who should get the benefits from these actions. We are participating in international fairs with our own means since TOP's budget cannot support all of the participants in fairs and it is difficult to cooperate with other members because of competition" (ITO 14).

With no membership in TOP nor GOTO Madagascar, handling the effects of political crisis and recovering were essentially depending on the ITO's own strategic measures and means.

> "As our company is not member of any association, we dealt with the impacts of the political crisis by ourselves. Instead of participating in fairs, we preferred to get direct contact with new international tour operators to work with and improved our website to be the most accessible and readable possible to potential purchasers. We did not need any support from association to implement these measures" (ITO 16).

#### 4.4.3. Crisis communication

DMOs for instance the MT and ONTM have difficulties in implementing good communication strategies to maintain the reputation and the DI of Madagascar after the crises. It was mentioned that the communication was poor and weak against the power of media, which was amplifying the damages to the image of Madagascar. Furthermore, the weakness of communication of the MT amplified the absence of foreign investment that help to develop tourism.

> "After the crisis, the MT did not implement a plan to communicate to key publics and stakeholders that the crisis was over and tourism should then recover afterwards. In 2013, it was announced in medias that there was pest in Antananarivo though there was not but the MT did not do anything to counteract this false rumor which forced us to make more effort to disclaim that rumor ourselves towards potential visitors" (ITO 5).

### 4.4. Risk management

#### 4.4.1. Developing trust-based relationships and security measures

ITOs argued that they have no control over the risks from the political situation in the country and therefore have no concrete strategies to manage nor prevent these risks. However, precaution measures during the tours and efforts to maintain the cooperation with both international tour

operators and local service providers were articulated as strategies to at least minimize the risks they might have control over.

> "To ensure our customers safety during their trips, it is imperative to avoid travelling at night. We also hire a gendarme who follows our customers along their trajectories" (ITO 16).

> "Apart from essentially travelling during daytime, we also equipped our cars with GPS. It is a lot of investment but we always know where our customers are and in case something happens we will be able to locate them" (ITO 5).

> "Our company does not have any strategies to cope with risks but we are trying our best to maintain a good relationship with our partners even during crisis periods" (ITO 8).

#### 4.4.2. Improvement of human resources management practices

To cope with the aggressive competition among generalist ITOs, improving human resources management such as employee retention practices and product innovation were the main strategies to countermove competitors.

> "We are trying to make our team workers the most comfortable possible at their workplace. If we want them to provide a high service quality, we need to provide the best environment too. For example, we make them feel as team workers not only simple employees by letting them participate in the company's leadership or they also have flexible hours, social and health securities" (ITO 14).

### 4.4.3. Product innovation

ITOs claimed that they are constantly looking for a way to personalize their products and distinct themselves from their competitors. They adapted their tours following the trends in tourists needs and did not hesitate to add new features to the classical tours.

> "We are always innovating by looking for more diverse products and improving our website. Tourism services are perishable so we need to always look for something new to attract more tourists" (ITO 15).

### 4.6. Matrix display

Table 3 summarizes the findings from the study following an event-listing matrix display.

<table>
<tr><th></th><th>Short term post-political period</th><th>Medium term post political period</th><th>Long term post- political period</th></tr>
<tr><td rowspan="3">Impacts</td><td rowspan="3">Decline of demand</td><td>Period of inactivity</td><td>Late recovery (for 2009 crisis)</td></tr>
<tr><td>Internal changes</td><td rowspan="2">Economic downturn</td></tr>
<tr><td>Damaged DI</td></tr>
<tr><td rowspan="3">Risk perceptions</td><td colspan="2">Low level of safety and security<br>Loss of partnerships</td><td></td></tr>
<tr><td></td><td colspan="2">Product constraints<br>Competition</td></tr>
<tr><td colspan="2"></td><td>Uncertain financial situation</td></tr>
<tr><td rowspan="4">Crisis management</td><td colspan="3">Diversifying the portfolios of supply services</td></tr>
<tr><td rowspan="3"></td><td colspan="2">Innovating the products<br>Conquering new markets</td></tr>
<tr><td></td><td>Cooperating with TOP, GOTO and ONTM</td></tr>
<tr><td colspan="2">Weak crisis communication</td></tr>
<tr><td>Risk management</td><td></td><td>Implementing safety and security measures</td><td>Innovation and employee retention</td></tr>
</table>

Table 3: Matrix display of the data analysis outcomes

# Chapter 5: Discussion and conclusion

This study focused on empirically exploring how ITOs experienced political crises and their perceptions of risk and uncertainty within their marketing environment

## 5.1. The effects of political crises on ITOs marketing environment

The findings suggested that ITOs have similar experience of political crises the effects of political crises on the business environment. The consequences were a great decrease of demand, internal changes followed by a period of inactivity, a damaged destination image, a late recovery for tourism industry and an economic downturn. The decrease of demand and negative DI are perceived as the biggest effects of crises on ITOs as tourism companies exclusively providing service to international tourists. The decline of demand concerns both indirect sales via international tour operators and direct sales with a greater decrease for indirect sales. This implies that the ITO's market relationship with its OTO(s) partner(s) is fragile and can be affected by any external force resulting in negative impacts on the company's business. Cavlek (2002) states that OTOs are one of the most influential entities in the tourism industry by influencing and generating international tourist flows. Hence, the dependence of ITOs on their marketing intermediaries amplifies the control of the latter over them in terms of generating consumers. The OTOs' decisions to exclude a destination from their programs influence consumers' decisions to travel to that destination resulting in a decline of consumers flows for ITOs. However, the decrease of demand only pertained to older ITOs. Newer companies entered the tour operating business with few customers from direct sales and maintained the same volume of operations despite the decrease of tourist arrivals in the country. This suggests that although the demand from direct sales is highly uncertain in comparison to the demand from partnerships with OTOs, it can help the company to maintain a certain volume of activities in time of crises and disasters. The decrease of demand

appears as an obvious individual impact of disasters that affect tourist travel behaviors. Valencia and Crouch (2008) confirmed that disasters including political incidents modify the travel decisions of tourists who prioritize travels to safer places instead of destinations subjected to crises. The decline of tourist arrivals also occurs like an economic impact (Pennington-Gray & Pizam, 2011) and also the origin of a decrease of income for all sectors in tourism industry.

Additionally, the increasing number of tourist arrivals after 2009 is not necessarily connected to ITOs, which did not fully recover yet from the incident, it can support the fact that tourists are more likely to plan their trips themselves. By the mean of the internet based distribution channel, individual tourists are capable of visiting Madagascar without using ITOs services by collecting all the necessary information they find online or from word-of-mouth experiences and planning themselves their activities within the destination. This implies that the service production and distribution roles of ITOs has been modified by the advancement of ICT, which is in contrast with the argument of Kracht and Wang (2010) stating that the development of ICT does not necessarily reduce the number of intermediaries in the distribution channel. Nevertheless, for young and remote destinations like Madagascar, visitors still require intermediaries like ITOs to avoid the encounters of negative experiences.

The decline is majorly due to the negative perception of the image of Madagascar among potential visitors. The negative perception is mostly based on the psychological dimensions for instance peace, safety and security rather than the functional dimensions of DI. Berli and Martin (2004) also confirmed that safety and security are the most vulnerable attributes of the image of a destination in time of crises and disasters. Media coverage was identified as the source of information that maintained the image of the destination negative for international tourists. Sönmez (1998) indicates that the media coverage of terrorism and incidents of political instability

has the potential to shape individual's image of a destination. This creates a challenge for ITOs to project a positive image of the destination to attract visitors while the image remains negative from media. Nevertheless, the increasing tourist arrivals from 2010 suggest that the negative image was temporary and tourists are willing to discover the destination.

The political crises had stunting effects on all sectors in the Malagasy tourism industry and triggered periods of inactivity and radical changes for ITOs. Again, these only pertain to older ITOs that were affected by the decrease of customers. Older ITOs with more experience in the tour operating business have larger source of markets and are indeed more affected by the decline of demand.

The political crises economic impacts for instance the economic downturn affect the destination recovery. A finding suggests that the crisis of 2002 differs from the 2009's by the duration of the destination recovery period, which is longer after 2009. Despite the fact that the political incident in 2002 was perceived stronger than 2009, there was a concrete plan destined to tourism recovery and development. Yet, the economic downturn after 2009 made every attempt to implement recovery plans inefficient resulting in late recovery for the tourism sector. Besides, the lack of cooperation between the service providers and the Ministry of Tourism (MT) constrained the destination recovery. Steiner (2007) argued that the destination recovery requires the involvement and cooperation of all the interdependent actors in the tourism industry ranging from tourism service providers to DMOs and other public institutions.

### 5.2. Managing the effects of the political crises

Given the outcomes of the data analysis that are disaster-oriented and the nature of political crises as incidents triggered by human-induced disasters (riots and coup d'état) rather than self-inflicted (Faulkner, 2001), the measures implemented to manage the impacts of the political incidents

appear as disaster management strategies rather than crisis management strategies. The diversification of the portfolios of services, products and source of markets are the measures ITOs have implemented to cope with both the short, medium-term and long-term impacts of political crises. These responses represent the ITOs attempts or reactions to adjust their marketing environment to the changes within the local tourism industry. Steinar (2007) conceptualizes such responses as crisis reactions, which are a type of "organizational learning" in which a company learns how to cope with changes in its business environment. The implementation of crisis reactions presents three distinct tools such as demand stimulating tools, demand generating tools and organizational responses. ITOs have implemented demand stimulating tools as immediate responses with product price policy (special offers and down pricing), cost reduction attempts (downsizing and layoffs) and intensification of marketing and advertising (use of social media and participation in fairs). With the product changes and market diversification, ITOs implemented demand-generating tools and the diversification of portfolios of services corresponds to organizational responses. However, while the demand stimulating tools are short term orientated, the demand generating tools and organizational responses require a certain amount of time to be successfully implemented due to their complexity and drastic aspects (Steiner, 2007, p. 177). Yet, the demand generating and organizational responses only pertained to political crisis- experienced (older) ITOs and those capable of offering other services, which suggests that the past experience of a disaster or crisis contributes to the successful implementation of responses to the same kinds of events in the future.

As political issues are not rare incidents, in the case of Madagascar, Faulkner (2001) suggests that tourism organizations are able to develop strategies for coping with these incidents by studying the past incidents, the responses of those affected, the implemented recovery measures and the

retrospective evaluation of the responses effectiveness. Therefore, this study contributes to the understanding of the effects of 2002 and 2009 political incidents on ITOs and can help in formulating strategies to cope with similar incidents if they occur in the future.

A finding supports the weakness of the communication strategy within the Malagasy tourism industry after the political incidents. According to Faulkner (2001), an efficient communication strategy contributes to the recovery of a destination. Yet, there was a lack communication stemming from the Ministry of Tourism (MT) to countermove the exaggerated information from the media during the post-political crisis phase resulting in a late recovery of the tourism industry. A stronger communication strategy need to be implemented in the MT plan for tourism development to respond to the media coverage in case of political disasters.

Political incidents like any disaster are unpredictable and their disruptive impacts are unavoidable. Despite the frequency of these incidents, ITOs have no concrete strategies to prevent these events nor to respond to their impacts on the marketing environment. The absence of disaster preparedness can be explained by the lack of coordination and cooperation between tourism authorities and tourism companies. Tourism companies are more likely to overcome the impacts of the disasters with their own strategies and means resulting in a plethora of disaster responses or unsuccessful disaster management. A common disaster management plan, elaborated by all the actors within the Malagasy tourism industry, is therefore necessary to ensure the long-term disaster preparedness of the destination.

### 5.3. The perceived risks in post political crises periods

The findings suggest that ITOs perceive political instability as the main trigger of risk and uncertainty. The perceived risks include low level of safety and security, loss of partnerships, product constraints, competition and uncertain financial situation. The loss of partnerships, product

constraints and competition are unsystematic risks (Williams & Baláž, 2015) while the low level of safety and security is an exogenous risk (Wang, Jao, Chan, & Chung, 2010) and the uncertain financial situation is a tourist-induced risk. ITOs require business-to-business partnerships with both suppliers to provide services at the destination and OTOs to promote and market the service packages to international consumers. The volatile political environment in which ITOs are operating amplifies the risk of losing the partnerships with OTOs that are their main source of markets while the risk of losing suppliers partners concerns the quality of their services. The ability of an ITO to maintain its partnerships with OTOs plays a key role in minimizing the risk of losing its market partners in time of crises. However, an increasing number of ITOs attempt to enlarge the volume of their direct sales as 4 out of 17 ITOs in the sample are essentially performing direct sales. They have oriented their marketing strategies such as the use of social media and website innovation to diffuse the maximum of information to allow potential customers to purchase their products. The higher volume of direct sales compared to customers via OTOs during the year of crisis (2009) has also created an opportunity for ITOs to invest more in direct sales and therefore overcome the control of their partners over their activities. The loss of partnerships with local suppliers threatens the sustainability of the exchange partnerships between ITOs and their suppliers. The decisions to pursue or not the partnership between an ITO and its suppliers also depend on the impacts of the political crises on suppliers, their capacity to successfully overcome these impacts as it may affect the quality of their services and maintain their partnership with the ITO. However, as suppliers can also contract with several ITOs, competition among ITOs may be intensified due to the diversity of agreements especially pricing between a supplier and ITOs.

Competition is more intensive among users marketing the same classical tours rather than developers. The driving force behind this rivalry is the access to direct consumers that each user

attempt to attract the maximum possible. However, competition may cause difficulties for potential consumers to differentiate the offers of two or more ITOs (Simon, 1999; cited in Gjerald & Lyngstad, 2015). Nevertheless, marketing the same products stimulates improvements and innovations among competitors (Bengtsson & Kock, 2000). Users are therefore obliged to further develop their product designing in order to distinguish themselves from the pool of other users marketing the same products. Furthermore, instead of rivalry, a user and a developer may carry out a coopetition relationship (Bengtsson & Kock, 2000) in which the developer provides its specialized services to the user. Looking at other ITOs as strategic partners rather than competitors can improve an ITO's business network and competitive advantage.

Although political instability was identified as the factor triggering the ITOs reduced capacity to produce tour packages, the uncertainty of the future is perceived as the main cause of product constraints. ITOs are unable to improve their service production as they are constantly preventing any imminent swings in the political situation that may put them in crisis. Therefore, uncertainty hinders any progress in the service production role of an ITO, which may result in lower service quality.

The statistical data from the MT shows that tourism industry started to recover from 2010 and pursue its growth until 2012 with 255 942 tourists in comparison to the 162 687 in 2009. However, the number of tourist arrivals decreased in 2013 with only 196 375 tourists due to the presidential and legislative elections occurring at the end of the year. This confirms that any event related to the political climate within the destination is also perceived as a risk for potential tourists and can shape their travel decision.

Uncertainty also induces financial risk for ITOs with the difficulty to attach any probability to the outcome of tour package reservations. As the services are booked several months before the actual

trips, there is no insurance that they will be successfully implemented especially. This situation implies that there is a lack of trust between ITOs and customers as the political situation remains uncertain until the venues of tourists to the destination. Moreover, the highly uncertain demand increases the probability of negative consequences on ITOs cash flows by cutting off their source of income. Therefore, ITOs are operating in an extreme context (Melkonian and Picq, 2009; cited in Gjerald and Lyngstad, 2015) combining both risk and uncertainty with political instability as the trigger.

The findings indicate that the political instability lower the level of safety and security at the destination resulting in the classification of Madagascar as a risky destination. This perceived risk is related to the negative DI for instance peace, safety and security dimensions that are decisive in tourist travel decision-making. Fuchs and Pizam (2011) confirm that tourists are more likely to associate risks in tourism in security and safety related issues which reinforces the vulnerability of the psychological attributes of DI to crises and disasters.

### 5.4. Managing the risks

Most of the risks that ITOs perceive in time of crises are related to their business-to-business relationships. These risks comprise loss of partnership, product constraints and competition. To cope with these risks, ITOs implemented three strategies that are developing new trust-based relationships for instance OTOs and local suppliers, diversifying the portfolios of activities and improving human resources management practices and product development. These measures correspond to two out of the four the risk management strategies proposed by William and Baláž (2015) that are the development of trust-based relationships and the diversification of the portfolios of activities. The last strategy is meant to minimize the risk of product constraint and competition. The development of trust-based relationships with OTOs and local suppliers and the diversification

of portfolios of activities are furthermore strategies to both manage the effects of the crises and cope with the risks stemming from those crises. To cope with the safety and security related risks, safety measures and security precautions are implemented to ensure the safety of the tourists. According to Pennington-Gray and Pizam (2010), while risk can be minimized or even eliminated, it is impossible to control uncertainty. In this study, ITOs do not implement any measure to deal with uncertainty while they attempted to manage the risks.

### 5.5. Perceived challenges

The political climate at a destination affects the internal environment of an ITO by shaping its relationships with the market (OTO and consumers) and its local partners.

Political uncertainty shapes the behavior of ITOs that have to deploy new strategies to ensure the stability of their markets. These strategies aim to increase the volume of direct sales by the means of web-based marketing tools (social media and website) and direct encounters with potential customers at international exhibitions and fairs. Maintaining and improving their market relationships with OTOs are also of importance in order to complete the direct sales and minimize the risk of partnership loss in case of new political incidents. However, the uncertainty of the future and the business-related risks defy ITOs in ensuring both their customer and partner satisfaction. Despite the fact that newer ITOs did not suffer from the decline of demand, they still have to deal with the uncertainty and risk in the marketing environment alike older ITOs.

ITOs have to bring the projected image of Madagascar the closest possible to the perceived image from tourists perspective. However, they need to overcome the negative image stemming from the media coverage, which requires communication strategies from the MT in addition to their own projecting materials (websites, advertisements and promotional campaigns).

In regards to disaster preparedness, ITOs require the involvement of all the stakeholders in the Malagasy tourism industry to elaborate a common disaster management plan that will help all tourism companies to efficiently respond to the impacts of eventual political incidents. Without a disaster management plan, ITOs have to overcome the impacts of such events repeatedly in case they occur in the future.

### 5.6. Theoretical implications

This study contributes to the understanding of ITOs experience of human-induced disasters especially political crises. It concludes that due to the political uncertainty ITOs as travel intermediaries are challenged in maintaining their relationships in the distribution channels while minimizing the risks related to their market partnerships.

With regards to Echtner & Ritchie (1991) and Beerli & Martin (2004)' s studies about destination image and the factors that can influence this construct, this study supports that human-induced incidents like political crises have greater effect on destination image as their impacts can remain for a long-term period causing a negative perception of the destination. It also demonstrates that the psychological attributes of DI are the most affected by political incidents.

Furthermore, Faulkner (2001) concludes that the experience of disasters can help tourism companies to better cope with the consequences of similar disasters in the future. ITOs that have experienced two political crises are more capable of handling the impacts of 2009's event than newer ITOs.

### 5.7. Managerial implications

As the projectors of the image of Madagascar, ITOs, at least the members of TOP, should agree upon a common image to diffuse instead of a plethora of branding slogans from each ITO. This

effort aims to make Madagascar more visible in the international market and confer a stable identity to the destination.

Coopetition is also suggested to handle the aggressive competition among ITOs. Again, the members of TOP should see one another as strategic partners that can provide services and cooperating in case of disasters.

### 5.8. Limitations

This study presents some limitations. First, the achieved sample majorly reflects the findings from ITOs that are enlisted in TOP while there are several ITOs operating outside the association. This study only focused on ITOs perceptions of the post-political crises effects, it is interesting to conduct further research on how other tourism companies like accommodation providers or travel agencies experienced the incidents. A quantitative research on the effects of political crises and the emerging challenges would complete the results from this qualitative study and get a deeper understanding of the phenomenon. Furthermore, the focus of this research was limited to the perceptions of the impacts, the risk and uncertainty and the way ITOs manage them. This study is limited to the understanding of how political crises affect ITOs and how they respond to these effects without proposing any disaster management plan. Further investigation should be conducted in order to contribute to the elaboration of a disaster management plan at a destination level for Madagascar, which is frequently subjected to political disasters.

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# Appendix

**Interview guide**

- **Profile of ITO**

1. Can you briefly talk about your company?

   a. Date of creation and its size

   b. Description of your main products (type such as nature based, ecotourism, culture and so forth). Are they developed by yourselves or supplied by local partners?

   c. Market: where is your main market? Are you directly selling to consumers or to outbound TO (OTO) or both? In case you sell to consumers, are they majorly first time or repeat consumers? Are they travelling in group or as individuals? Are you only providing ITO services or do you have other extension of services such as incentive trips or cruise services?

- **Consequences of the political crisis**

2. What are the consequences of the political crisis in 2009 (for new ITOs) and both 2002 and 2009 (for ITOs)?

   a. **Market:** how did your market change? How was your cooperation with OTO and local suppliers affected? To what extent did the demand (consumers) change?

   b. **Product development:** did you maintain your products? Or did you change the way you develop it? Did it affect your relation with the market?

   c. **Changes within the company itself:** did you proceed to any kind of downsizing? Period of inactivity? Duration of organizational changes.

3. How did you respond to these issues? Did you look for more partners to collaborate with?

4. Which issue(s) as consequences of the political crisis do you find the most uncertain and risky for your future: operational, strategic, financial, reputation and physical risks (see page 5 for the definitions) ? How do these affect the way you are operating? Did you change your marketing plans and strategies following the uncertainty?
5. If another political change appear in the future and the tourism industry would be affected, how do you see the future of your company? Are you prepared?
6. Is there any measure or cooperation with other organizations to alleviate or limit the damage caused by external threats? Any common recovery plan?
7. If assuming that future visitors are classifying Madagascar among the risky destinations, do you have any risk reduction strategies? Did you remove some tracks (included in your products) that you judge too risky for tourists? How do you ensure your customers safety during their trip?
8. What is the image of Madagascar as a destination the uncertainty? Did that image change after the political crisis (es)?
9. Do you implement specific measures to ensure the success of your company? In other words, what makes your company successful?