Value Chain:

Definitions

A value chain is a series of consecutive steps that go into the creation of a finished product, from its initial design to its arrival at a customer's door. The chain identifies each step in the process at which value is added, including the sourcing, manufacturing, and marketing stages of its production.

A company conducts a value-chain analysis by evaluating the detailed procedures involved in each step of its business. The purpose of a value-chain analysis is to increase production efficiency so that a company can deliver maximum value for the least possible cost.

Components of a Value Chain

In his concept of a value chain, Porter splits a business's activities into two categories, "primary" and "support," whose sample activities we list below. Specific activities in each category will vary according to the industry.

Primary Activities

Primary activities consist of five components, and all are essential for adding value and creating competitive advantage:

1. **Inbound logistics** include functions like receiving, warehousing, and managing inventory.
2. **Operations** include procedures for converting raw materials into a finished product.
3. **Outbound logistics** include activities to distribute a final product to a consumer.
4. **Marketing and sales** include strategies to enhance visibility and target appropriate customers—such as advertising, promotion, and pricing.

5. **Service** includes programs to maintain products and enhance the consumer experience—like customer service, maintenance, repair, refund, and exchange.

Support Activities

The role of support activities is to help make the primary activities more efficient. When you increase the efficiency of any of the four support activities, it benefits at least one of the five primary activities. These support activities are generally denoted as overhead costs on a company's income statement:

1. **Procurement** concerns how a company obtains raw materials.
2. **Technological development** is used at a firm's research and development (R&D) stage—like designing and developing manufacturing techniques and automating processes.
3. **Human resources (HR) management** involves hiring and retaining employees who will fulfil the firm's business strategy and help design, market, and sell the product.
4. **Infrastructure** includes company systems and the composition of its management team—such as planning, accounting, finance, and quality control.

Examples of Value Chains

Starbucks Corporation

Starbucks (SBUX) offers one of the most popular examples of a company that understands and successfully implements the value-chain concept. There are numerous articles about how Starbucks incorporates the value chain into its business model.

Trader Joe's

Another example is privately held grocery store Trader Joe's, which also has received much press about its tremendous value and competitive edge. Because the company is private, there are many aspects of its strategy that we don't know. However, when you enter a

Trader Joe's store, you can readily observe instances of Trader Joe's business that reflect the five primary activities of the value chain.

1. Inbound logistics. Unlike traditional supermarkets, Trader Joe's does all of its receiving, shelving, and inventory-taking during regular store hours. Although potentially maddening for shoppers, this system creates a ton of cost savings in terms of employee wages alone. Moreover, the logistics of having this work take place while customers are still shopping sends the strategic message that "we're all in this together."

2. Operations. Here's an example of how a company could apply the value chain creatively. In primary activity number two above, "converting raw materials into finished product" is cited as an "operations" activity. However, because converting raw materials is not an aspect of the supermarket industry, we can use operations to mean any other regular grocery store function. So, let's substitute "product development," as that operation is critical for Trader Joe's.

The company selects its products carefully, featuring items that you generally can't find elsewhere. It's private-label products account for more than 80% of its offerings, which often have the highest profit margins, too, as Trader Joe's can source them efficiently in volume.2 Another vital piece of product development for Trader Joe's is its taste-testing and chef-partnership programs, which ensure high quality and continuous product refinement.

3. Outbound logistics. Many supermarkets offer home delivery, but Trader Joe's does not. Yet here, we can apply the activity of outbound logistics to mean the range of amenities that shoppers encounter once they are inside a Trader Joe's store. The company has thought carefully about the kind of experience it wants us to have when we visit its stores.

Among Trader Joe's many tactical logistics are its in-store tastings. Usually, there are a few product tastings happening simultaneously, which create a lively atmosphere, and often coincide with the seasons and holidays. The tasting stations feature both new and familiar items that are prepared and served by staff.

4. Marketing and sales. Compared to its competitors, Trader Joe's barely does any traditional marketing. However, its entire in-store experience is a form of marketing. The company's copywriters craft product labels to appeal specifically to its customer base. Trader Joe's' unique branding and innovative culture indicate that the company knows its customers well—which it should, as the firm has actually chosen the type of customers it prefers and has not deviated from that model.

Via this indirect marketing of style and image, Trader Joe's has succeeded in differentiating itself in the marketplace, thus sharpening its competitive edge.

5. Service. Customer service is paramount for Trader Joe's. Generally, you see twice as many employees as shoppers in their stores. Whatever work they are doing at the moment, the friendly, knowledgeable, and articulate staff are there primarily for *you*. Employees welcome shoppers' interruptions and will instantly rush to find your item or answer your question. In addition, the company has always employed a no-questions-asked refund program. You don't like it, you get your money back—period.

This list could go on and on before ever reaching the four support activities cited above, as Trader Joe's is a wildly successful example of applying value-chain theory to its business.

The Hospitality and Hotel value chain

The hospitality Industry value chain is a part of the tourism industry value chain. All of the services, segments, sectors and components of hospitality Industry broadly come under the tourism industry.

This is because hospitality is the very important segment of tourism. Hospitality majorly caters to the tourists and travellers. The customers or the business of hospitality comes from tourism and also from travelling.

Yet, we need to look at the value chain of this industry because looking at hospitality through tourism is not that deep and detailed. Hospitality, although is an important part of tourism yet it is also an independent industry that serves and caters to all types of people including those who are not tourists.

The value chain is defined and structured across the two sectors or segments of hospitality industry i.e. accommodation sector and food & beverages sector or segment. Then it covers the sub-segments and types for each segment i.e. types of accommodation facilities and types of food & beverages services in hospitality.

The word hotel is derived from the French ***hotel***, which refers to a French version of the townhouse. The term hotel was used for the first time by the fifth Duke of Devonshire to name a lodging property in London sometime in AD 1760. Historically, in the United Kingdom, Ireland, and several other countries, a townhouse was the residence of a peer or an aristocrat in the capital of major cities. The word hotel could have also derived from the ***hostel***, which means '**a place to stay for travellers** '.
A hotel is defined by the British Law as a '**place where Bonafede travellers can receive food or shelter, provided he/she is in a position to pay for it and is in a fit condition to be received** '. Hence, a hotel must provide food (and beverage) and lodging to a traveller on payment, but the hotel has the right to refuse if the traveller is not presentable (either drunk, or disorderly, or unkempt) or is not in a position to pay for the services.

Alternatively, a hotel may be defined as '**an establishment whose primary business is to provide lodging facilities to a genuine traveller along with food, beverage, and sometimes recreational facilities too on the chargeable basis**'. Though there are other establishments such as hospitals, college hostels, prisons, and sanatoriums, which offer accommodation, they do not qualify as hotels, since they do not cater to the specific needs of the traveller.
A hotel is **an establishment that provides paid accommodation, generally for a short duration of stay**. Hotels often provide a number of additional guest services, such as restaurants, bars, swimming pools, healthcare, retail shops; business facilities like conference halls, banquet halls, boardrooms; and space for private parties like birthdays, marriages, kitty parties, etc.

Most of the modern hotels nowadays provide the basic facilities in a room- a bed, a cupboard, a small table, weather control (air conditioner or heater), and a bathroom- along with other feature like a telephone with STD/ISD facilities, a television set with cable channel, broadband internet connectivity.

There might also be a mini-bar containing snacks and drinks (the consumption of the same is added to the guest's bill), and tea and coffee making unit having an electric kettle, cups, spoons, and sachets containing instant coffee, tea bags, sugar, and creamer.

Link between Hospitality and Travel and Tourism industry

Hospitality organisations are some of the most important service providers to the travel and tourism industry. Whether for leisure or for business, people do spend a significant amount of time at their hotel, particularly if it is of a luxury status. Guests would understandably want to reap the benefits offered by their hotel, particularly for the premium prices paid.

Package holidays

The role of hospitality in package holidays is very significant. Hotels which are included in package holidays ultimately depend on the price paid for the package. If someone opts for a budget package, then one would not expect 5 star accommodation, but more realistically some form of 3 star or possibly 4 star accommodation. Popular holiday packages are often mass purchased, so customers would benefit from good hotel rates and airline ticket prices. Hotels also have special agreements with individual travel agents, offering special rates to their companies in return for a guaranteed flow of customers from their end.

Customers may opt for accommodation on room only basis, bed and breakfast, half board, or more rarely, full board basis. Travel agent representatives regularly check up on their clients at their hotel to ensure that they are having a pleasant time. They also discuss any

problems that they have been experiencing throughout the duration of their stay, and get them sorted accordingly.

All-inclusive packages are also available but do not offer customers the flexibility of other packages. Such packages would include everything that is needed for the whole stay such as meals, beverages, hotel, tours, and all other requirements. Customers who opt for these packages would usually spend most of their time within the resort as most of their activities would be based there.

Aviation

The Airline industry's success depends very much on accommodation availability. Airlines may lose out on business if hotels are at full capacity. This is a serious problem for airlines flying to small destinations such as Malta, as there have been instances where all hotels on the island were fully booked. Major airlines must therefore analyse situations regarding bed availability, and choose flight times and days accordingly.

Hospitality is also present onboard airlines in the form of catering, as well as sleeping arrangements. Budget airlines offer food and beverages at extra cost, whilst higher class airlines often offer all-inclusive food and beverages, even to those paying for economy seating. Some ultra-luxurious airlines even have reclining seats which turn into beds, as well as silver service dining and a centrally located bar, where customers can choose what to eat and drink.

Business travel

Business people specifically opt for hotels which are equipped with the necessary facilities to work comfortably. They search for hotels with business centres, Wifi or cable internet access, meeting rooms and conference areas, as well as other services such as 24-hour laundry and dry cleaning. They may also try to fit in some time for leisure, particularly in between meetings, where they would either spend time by the pool, at the spa, or out and about. However, due to the nature of business travel this is not always possible.

The same goes for catering establishments. Business people opt for some of the best restaurants in order to impress business associates or clients. They make use of the money supplied to them by their companies, so they can afford to choose high class restaurants to accompany their luxury accommodation.

Globalisation has brought about a growing need for business related travel, and this will undoubtedly grow even further as destinations become more connected. Budget airlines have also made business travel a lot more affordable to companies, however, some companies believe that flying business class would keep their reputation intact. Business class was essentially developed for business people who required space to work.

Emerging destinations such as India and China are becoming hotspots for business travel, and international companies from around the world are interested in setting up branches there. Their industries are growing faster than any other, and certain companies do not wish to miss out on any opportunities to increase their market share and profitability.

Conferences and exhibitions

Conferences and exhibitions are also crucial for national and international travel and tourism industries. For instance, between the 29th of August and the 4th of September, Malta welcomed its largest ever conference, hosting 5000 delegates who were invited to the yearly Oriflame conference, each of which stayed at 4 and 5 star hotels. In total, 8 million Euros were injected into the local economy, mostly through accommodation costs. Outside caterers, mainly from hotels, were chosen to prepare food for all of the delegates. Conference attendees are often hosted at the hotel at which the event is taking place.

Exhibitions offer consumers the possibility to view products or services before purchasing them. The International Tourism Bourse (ITB) is an international exhibition which attracts exhibitors from around the world. Companies, organisations and NTOs showcase their new offerings and concepts to other people from the field. Such

events attract thousands of people from around the world, benefitting numerous hotels in the events' perimeter.

Visitor attractions

A visitor attraction is anything which gets people talking or that is of interest to visitors, tourists and others. Attractions may take the form of manmade creations such as museums and theme parks, or natural attractions such as natural parks. On the other hand, some sites happen to be of interest to people simply because of the activities taking place there, and not because the actual place hosting the event is of any interest.

Theme parks are possibly the most popular visitor attractions, collectively seeing millions of visitors on a yearly basis. Disneyland happens to be one of the world's most popular flagship attractions, and can be found in the United States, France, Japan and China.

Most theme parks house their own restaurants and cafes, where families can enjoy a meal and then get back to having fun. However, Disneyland Paris goes a few steps further by having two hotels at the resort, which often feature in package holidays and are immensely popular.

Athithidevo Bhavah, Expectations of the guest.

Atithi Devo Bhava, also spelt *Atithidevo Bhava* (Sanskrit: अतिथिदेवो भव:), English translation: *A guest is akin to God*, prescribes a dynamic of the host-guest relationship, which embodies the traditional Indian Hindu-Buddhist philosophy of revering guests with the same respect as a god. This concept of going out of the way to treat guests with reverence goes even beyond the traditional Hindu-Buddhist common greeting of namaste (I bow to the divinity in you) used for everyone. Atithi Devo Bhava" is a campaign launched by the Ministry of Tourism in 2005 in India. India is one of the many countries which has a culture and tradition to treat guests like God. Indians have a unique tradition of "hospitality" inborn in them and extend it to guests when they call on us. We greet them with a

“please come in” or a namaskar, as a part of our culture. This comes to us spontaneously. When we call at a friend’s house we are immediately requested to sit down and are offered a glass of water to quench our thirst. And within minutes a cup of hot tea is offered, too. This is the Indian tradition and this continues even today.
What it has come to mean today is that no matter who you are and where you are from, in India you are welcomed warmly and treated with respect.
It epitomises the feeling of friendliness and kindness in the Indian people. Where everyone is welcome to share in the beauty of the country and the delicious tastes of its food.
This saying which is gaining new popularity again, is something that we feel deeply in our heart. Whether we have guests come to our restaurant or we are catering to your own guests at your venue. First and foremost, our priority is that each guest is well looked after.
From our sparkling silver service to our amazing vegetarian cuisine, everyone is looked after at us. In a restaurant we cater for a variety of different functions, from the more intimate smaller groups, families enjoying a night out or friends enjoying a delicious meal.
We even bring our hospitality and catering to you at the venue of your choice. From the very beginning of planning your event, our chefs will help tailor make your menu choices. Right up to the day itself where our professional catering team will make sure that your day runs smoothly.