



Brief case 44

CITY SIGHTSEEING: THE MCDONALD'S OF BUS TOURS?

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City Sightseeing Worldwide is one of the world's largest city tour bus business groups. It is estimated that in 2017, its iconic double-decker buses with an open roof had transported around 14 million passengers in over 115 cities in 37 countries on five continents¹. The group's headquarters are distributed between Seville and Birmingham. Seville centralises the administrative division, know-how, corporate communication, marketing, customer service, new developments, and human resources, while Birmingham has replaced London as a joint headquarters in recent years, being responsible for sales and securing major agreements with tour operators and travel agencies. After several changes in the group's shareholding, the brand is currently 55% owned by its founder, Enrique Ybarra Valdenebro, and the remaining 45% by the US company Twin America. In Spain, it has around 500 employees (with almost 140 in Seville), and it is estimated that about 4,000 people work for the group worldwide. Figure 1 summarises some of the main milestones in its evolution.

The beginnings of this global leader in its business sector date back to July 1992, coinciding with Expo 92 in Seville. A few months earlier, Enrique Ybarra, an entrepreneur from Seville, had returned to his hometown after finishing his studies in San Francisco (United States). During his stay there, he created his first (online) company for the import and export of sports equipment. After his application to work at the chemical multinational Dow was rejected in April 1992, he and three friends from Seville decided to create the *Compañía Hispalense de Tranvías* with two vehicles similar to the trams that run in San Francisco. The initial idea was to make Seville known to the world by taking advantage of the Expo, which would attract some 18 million tourists (55% national and 45% foreign visitors). Success turned to failure after the Expo closed and the three friends left the business (see Figure 1).

Despite the disappointment, the experience gained in the company's management enabled the founder to study the tourist bus market in depth and understand that it was a highly atomised sector, in which the scope of action was strictly local, with no company operating globally. This was the kernel for the idea of "creating a brand that had a global vision". This meant "creating a company with a different idea, which was recognisable in different cities, with the same services and benefits, with purchasing centres to negotiate with tour operators and with economies of scale that would help local operators to join the project".

In addition, Ybarra realised that the tourist bus business was experiencing remarkable growth thanks to the new profile of the urban tourist. New travellers were beginning to arrive in cities in greater numbers thanks to the expansion of low-cost airlines, and they wanted to see as many tourist attractions as possible at an affordable price and, above all, have the option of organising their own plans in each destination.

¹ The countries in which it is currently present are Australia, Bosnia-Herzegovina, Belgium, Canada, Colombia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, Malta, Norway, Panama, Peru, Poland, Portugal, Puerto Rico, Russia, Saudi Arabia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Ukraine, United Arab Emirates, United Kingdom and United States.



This was the context that gave rise to the pioneering idea of the hop-on-hop-off brand, whereby passengers can get on or off a bus that follows a specific route in each destination as many times as they want within a certain time limit, which, depending on the destination, usually ranges between 24, 48, and 72 hours.

In 1998, it developed a business model and service provision based on tourist tours in open-top buses. To set the ball rolling, Ybarra turned to the sector's three main operators, which were in London. The first time he presented the project, he clearly laid out his business plan: to create "the McDonald's of bus tours". Only one of the companies accepted the proposal, namely, Ensignbus, and after several months of negotiation, they signed an agreement to relaunch the business internationally. In 2000, the two partners decided to adopt a franchise-based management model, as it was understood that it would facilitate international expansion by finding partners in the world's leading tourist cities (see Figure 1). Additionally, this would help to create and consolidate an internationally recognisable brand.

The beginnings were not without difficulties, but once the service became available in Sydney, London, and Paris, large international tour operators contacted the group to act jointly. In addition, aware that tourists "always look for the local and the traditional" of the destinations they visit, the group's catchphrase was formed: '*Globally connected, locally operated*'. The tours' main objective is that tourists "leave a city with an extensive knowledge of it", as well as "decentralise the tourist focus to other neighbourhoods and areas". In this way, the whole city is intended to benefit from tourism.

One of the reasons for City Sightseeing's rapid growth and international expansion, as the company itself acknowledges, has been the adoption of the franchise model; nevertheless, this depends on each destination. In Spain, with a few exceptions (Barcelona and Lleida), the routes are owned by the group; in many other destinations, they are 100% franchises where City Sightseeing provides only the brand, while different types of agreements have been used with local partners in other destinations (see Figure 1). In destinations in the US, Germany, and the UK, for example, it also maintains strong links with leading transport companies. Potential franchisees are invited to Seville to show them "how it works, what the corporate image is, and how it is marketed". If an agreement is signed, part of the staff hired in that city will attend a training course in Seville. Group representatives and franchisees usually meet at annual conventions, where they share their concerns and experiences.

The franchise model gives local operators enough flexibility to introduce the right infrastructure locally with the company's full support, which is responsible for supervising the development of each tour, monitoring each location, and evaluating quality standards and visitors' overall experience. It also deals with agreements with large tour operators, all the material, clothing, international projection, the operations manual, the know-how to standardise quality, multilingual systems, headphones, payment terminals, how to address the customer, and the staff dress code, among others. The company also enters into partnerships to offer discounts at museums, restaurant chains, and attractions that are close to each stop. It is also responsible for continuously developing agreements with suppliers, such as bus manufacturers, ticketing systems, and feedback generation systems, which are then passed on to local operators.

The group's short-term goal is to diversify its business, using the brand and the website to provide other types of complementary products and services in packages (e.g., combined tickets for various activities such as cruises, guided walking tours, bike tours, museum visits, and catering) — or in the words of its founder, complete "city experiences". In addition, plans are afoot to expand the transport offer (see Figure 1). In Spain, the group has also entered a new line of business involving the management of "different" tourist information points and offices. Not only does it deal with the management of those already operated by the public administrations, but it has also begun to create its own information points, with a view to transferring the idea, in a next step, to other countries. In fact, the first trial has been conducted in Rome, catering for services such as food and drink vending machines, free Wi-Fi,





information on the city's cultural agenda, and the sale of tickets to different activities and spaces. Plans for the near future also extend to the consolidation of the brand in emerging markets, as well as expansion into Southeast Asia and China.

Question: Identify and analyse City Sightseeing's competitive strategy, as well as the main advantages and disadvantages of the franchise model used for its international expansion.

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Figure 1. City Sightseeing's main milestones



Source: Own elaboration

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