



QUALITY COSTS IN TOURISM BUSINESSES

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Abstract

Today's economic environment where businesses are constantly pushing themselves to develop uncertainty is rapidly increasing. In recent years, economic and technological developments, especially in the service sector enterprises in a competitive environment it is being heavily. In tourism, this study identify the issues that need to be addressed for the establishment of quality cost system, effective cost control and assist in the establishment of tourism enterprises in Beyşehir District of Konya Province in order to ensure that benefit from it have been made.

Keywords: Quality Costs, Quality Costs System, Tourism.

1. Introduction

Tourism businesses make effort in the scope of accounting works, in order to calculate unit costs. For this aim, they follow the costs resulted from production of the goods and services realized in tourism business. In this way, they collect data about unit production cost, sorts of cost, and cost fluctuations in business. An activity of quality control, which will be carried out in tourism businesses, can only be possible with a quality control system that will be established. Operating this system to be established requires to endure some costs. Hence, the costs quality control system will create in tourism business are accepted as quality costs. Quality costs can be defined as costs emerging as a result of the activities carried out to prevent faults that may occur, planned quality examinations, and faults seen during production of the goods and services or after delivering them to client (Yükçü, 1993: 343).

In some studies, it was emphasized that businesses were not established to produce spoiled products; therefore, the extra cost some spoiled goods and services, which emerged in the production phase, created could be in fact defined as inferiority cost (MPM, 1991: 8).

When costs endured to obtain quality are carefully monitored and assessed, it is easy to identify the positive effects this will create on business. Between the costs occurring during the way quality control system operates and the quality of the goods and services produced, a balance should be established. However, with this sensitive balance to be established, cost of system will be less than its benefits. After realizing quality control system related to obtaining quality costs for the existing accounting and cost accounting system, it will be easier to obtain the data associated with quality costs in the following periods (Yükçü, Doğanöz, 1993: 67).

2. Organization Of Quality Costing System In Tourism Businesses

In businesses, in formation of quality cost system, the scale of business will be the most important determinant. In addition, what business aims at establishing this business will be effective on establishment of the system. In large scale tourism businesses, the first stage of establishing system will be the use of cost accounting data in the accounting department. Since cost accounting is an activity following production costs step by step and toward the aim of identifying unit costs, it has a quality that can provide the necessary data for the system to be able to operate. After this first stage, forming "Quality Management Department", system should be completed. Quality management department will mostly undertake the duty of a department, which analyzes quality cost data accounting system collects and produces alternative strategies in the direction of results. In tourism businesses, in operating quality

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management system, the functions accounting department has to undertake can be put in order in more detail as follows (Winchell, Bolton, 1987: 72);

- a) Collection of quality cost data
- b) Distribution of quality costs
- c) Reporting quality costs

The other main department of quality system can be put in order as follows in the functions quality department has to undertake (Yükçü, 1993: 363).

a) In order to improve inferiority in the production, to realize control activities in each stage by making some recommendations and researching the reasons creating inferiority in the production and to analyze costs; for realizing these analyses, to cooperate with accounting department,

b) In order to be able to reach budgetary target, to provide coordination and communication between all departments of businesses;

c. In order to reduce costs and control them, to follow the policies made continuous, which are carried out, and review them if necessary,

d) To study the other problems emerging from quality failures, find responsible people, reveal reasons and review quality costs consisting of these reasons.

In classical approaches, since business only consider measurable costs, it is necessary to endure high costs for reaching high quality. In this case, for minimizing costs, it will be necessary to make production in optimum quality (Godfrey, Pasewark, 1988: 50). In the approach of total quality management, also considering unmeasurable costs, a new level of quality is identified. In hotel businesses, It is possible to classify measurable quality costs as follows:

- a) Losses in good and service production,
- b) The costs quality control systems, which will be established in hotel business. will create,

Unmeasurable costs engendering inferior goods and service presentation can be put in order as follows

- a) Customer loss
- b) Fall of share taken from tourism market
- c) Loss of image and trust

2.1. Classification of Quality Costs

In tourism businesses, accounting department can collect and report them under quality umbrella of the produced goods and service It is possible to divide quality costs into four main groups (Yükçü, 1993: 344).

- **Prevention Costs**

Prevention costs is the costs of activities realized to reduce, prevent, and study the risk of fault and compliance. It includes costs such as quality planning, quality education, and development of quality (Bringman, Appelbaum, 1994: 62).

- **Assessment and Evaluation**

It is all of assessment costs carried out to reach the desired quality in any stage of process of controlling costs. It includes costs such as delivery and stock assessment (Rafield, 1989: 297).

- **Failure Costs**

Failure costs are divided into two as internal and external costs. Internal failure costs are the endured costs due to quality incompliances identified before the product reaches the buyer. External failure costs are the endured costs due to quality incompliances identified after the product reaches the buyer. The costs such as wastes, rubbish, time and sale loss, and making communication with customer take place in this scope (Edmonds, Tsay, Lm, 1989: 26).

In tourism businesses, since there is simultaneous production of goods and services, it is also necessary to monitor these costs in both areas. However, it can be said that prevention and failure costs have a great importance compared to assessment and evaluation.

Preventing costs that began with not making quality planning of the goods and services to be presented and not having staff in adequate quality will go to failure costs such as unsatisfied tourist and loss of sale.

Some part of assessment and evaluation costs and prevention costs first of all has a quality applicable in food and drink businesses or food and drink departments of accommodation businesses. The



costs such as supplier guarantee, acceptance control, and stock assessment are the costs occurring in the activity process of food and drink department. There are also these costs in accommodation department but their shares in all costs is considerably low: for example, purchasing cleaning agents and controlling this.

2.2. Quality Cost Centers In Tourism Businesses

Accounting systems that are existent in tourism businesses are generally narrower - scoped than the system needed for monitoring quality costs. Accounting systems generally monitor the costs of material, labor, and general production to obtain all costs. However, in quality costing system, in addition to these, it is necessary to monitor many items of new costs going to post-sale, beginning from production planning of goods and services.

With the approach of total quality management, since producing high quality goods and services in high quality businesses is accepted as the responsibility of all departments, each unit serving in the process extending from planning food and drink services to be presented in hotel businesses to the supply, realization of service, and customers' perceptions in post-sale are quality cost center. Therefore, for being able to reach quality costs, not only cost data of production units but also of all other units should be collected in detail.

2.3. Resources Of Quality Costs

In tourism businesses, the resources of quality costs consist of documents used in collecting quality cost. However, some of these documents are the ones, which are not used in accounting department but ordered for the function of quality control system. In hotel businesses, the documents used for quality cost resources or collecting data can be put in order as follows (Yükçü, 1993: 355).

- a) Raw material, material request slip
- b) Payrolls
- c) Reports on general manufacturing expenditures
- d) Waste and rubbish reports
- e) Reports on faulty or spoiled products
- f) Documents of transportation expenses
- g) Reports on product costs
- h) Compliance reports

2.4. Reporting Quality Costs

In quality control departments, it is necessary to prepare the budgets related to quality costs. Therefore, it is necessary to report the information of quality costs in such a way that it will help budget form. Reports of quality costs are the instruments toward providing information about whether or not the activities of business actualizes in the direction of the aims determined in the budget: at what degree they actualizes: deviations that occur, the reasons for this, and actions that is necessary to be taken: and quality control works (Yükçü Doğanöz, 1994: 69).

Quality costs can be variously reported. The first of these reporting systems is the reporting according to quality costs. In this reporting, current periods can be considered as the same, when the data regarding whole year can be separately discussed. Budgetary and actual values can be compared on the same report. Beside this, it is also possible to report on the basis of product. For being able to report in such a way, it will be necessary to subject quality costs to distribution according to products. Both reporting are shown in Figure 1 and 2 (Yükçü, 1993: 358-360);

Quality cost reports, giving place the information about all of quality costs forming in hotel business, play role as an instrument to be used in the plans, which will be made for the future periods. Therefore, reports should be orderly prepared and presented to the management. Using these data, predictions can be made about quality costs expected for the future periods.

2.5. A Case Study For Total Quality Management In Tourism Businesses

In tourism businesses, the differentiation in quality of product leads total quality management to show some variations compared to its applications in the other sectors. However, it is a reality that total quality management (TQM) can be successfully applied in tourism businesses. It will be in place to explain this issue with an example. Example will be interested in a food-drink business. However, it should not be forgotten that one of the most important departments of an hotel business is food-drink department. As in every business, the main aim of producing food and drink is to make profit. Since profit is a function of income and expense, in hotel businesses. the input, production process, and



output have become the determinant of profit. In a food –drink business, these three process should be kept under control. From the managers of food-drink business, taken as example, the following data were obtained about the business.

- The busy hours of the business are between 11:00 and 14:30.
- Menus consist of very different items and special food of that day.
- Material orders are made in the wrong quality and quantities.
- Low quality and high quality are noticed after delivery. The waiters could not perform the service in the required time.
- Customer complaints increase.

Within these data, problems faced in the business will be dealt with three stages above mentioned and, later, solution suggestions will be presented.

3. Faced Problems

3.1. Problems Related to Input

- Material records are done irregularly and inadequately
- It is not known when and how many material order will be done
- Delivery transaction is carried out by many people.
- In acceptance, quality control is performed.
- Critical material purchase is not foreseen.

3.1.1. Problems Related to Production

- Orders are faultily received in busy hours of businesses in panic
- While the meal is prepared, material is not present in the desired places, amount , and time.

- Additions is lately transferred to cash desk.
- Tails form at the cash desk.
- There is a coordination deficiency between pages and waiters.
- In the kitchen, standard receipts are not formed.
- Cooker uses wrong amount of material

3.1.2. The Problems Related to Output

- The food prepared is not served in time.
- Orders are wrongly received and, therefore, food is returned.
- Customer complaints increase.

3.2. Solution Suggestions

3.2.1. About Developing Input System

- Inventory system should be modernized.
- Computer -aided inventory control should be established. Thanks to this, business can identify [whether or not material] is present, the amount of material ordered, what optimum amount of order is, and when it will order.
- A receiving clerk and his/her proxy should be present.
- It is necessary to form and develop standards.

3.2.2. About Developing Production System

Staff education should exhibit continuity. Work analysis performing in the kitchen and restaurant, time losses should be prevented. In the kitchen, standard receipts should be used. Forming quality circles, solution suggestions should be developed and job definitions should be made. Establishing a computer-aided order system, it should be enabled the meal going out from the kitchen to waiter without delaying and the addition of the same meal to be transmitted to cash desk. With this way, addition control is provided and the tails in the front of cash desk can be prevented from occurring. In addition, predictions toward future can be realized and performances of employees can be supervised.

3.2.3. About Developing Output System

- Customer satisfaction should be measured.



In measuring customer satisfaction, it can be utilized examinations of questionnaires left onto table and customer wastes

- In evaluating questionnaires, SPSS program should be utilized.

3.3. A Local Research On The Quality Cost System

The aim of this study is to identify the state of quality cost system, mentioned above, in accommodation businesses taking place in the district Beyşehir. For this aim, questionnaires were prepared, which consists of 3 sections and 22 questions and they were completed by business managers. Beyşehir is a district of the province Konya, which has a population of 75,000. Although it has tourism potential, there are only 9 accommodation businesses in the district. Therefore, the scope of the study consists of all accommodation businesses. The return rate of questionnaires is 100%. The data obtained from the survey were analyzed by means of SPSS 21 Statistics Program.

4. Findings of the Study

The first section of the survey consists of 6 questions regarding the properties of accommodation businesses. The answers given to questions were shown and explained in Table 1.

Table 1: Properties of the accommodation business.

Number of stars	Percentage	Activity year	Percentage	Number of Employees	Percentage
No	67%	0-2 years	22%	1-5	33%
2	11%	3-5 years	0%	6-10	22%
3	22%	6-9 years	33%	11-20	33%
3 +	0%	10+ years	44%	25+	11%
Number of rooms	Percentage	Solidity ratio	Percentage	Department distinction	Percentage
5-15	33%	%0-25	11%	Yes	78%
16-30	33%	%26-50	22%	No	22%
31-45	33%	%51-75	44%		
46+	0%	%76-100	22%		

It is seen in Table 1 that the large majority (67%) of accommodation businesses in Beyşehir do not have any stars, in return to this; and that one business has 1 star, and 2 businesses have 3 stars. 4 of accommodation businesses are active over 10 years. 3 businesses are active for 6-9 years and 2 businesses, 0-2 years. When we regard to the number of room in the businesses, which employ maximum "1-6" workers and "11-20" workers, it is understood that there is no business having room more than 46.

One of the important indicators is the occupancy rate of accommodation businesses. When we regard to the occupancy rate of the businesses, it is seen from Table 1 that maximum occupancy rate is 51-75%.

It is understood that 7 businesses (78%) answer the question "Do businesses make department discrimination?" as "yes" and that 2 businesses (22%) do not do department discrimination.

The second section of the survey is established on testing the properties of quality systems and cost control. The findings obtained from the questions prepared for this fiction are shown and explained in Table 2.

Table 2: Quality systems and cost control of accommodation business.

Quality certificate	Percentage	Quality control department	Percentage	Cost control	Percentage
Yes	45%	Yes	67%	Yes	100%
No	33%	No	33%	No	0
Work in progress	22%				
Cost control Percentage	Percentage	Quality cost system (QSS)	Percentage	Future QSS	Percentage
Daily	11%	Yes	33%	Yes	33%
Weekly	22%	No	67%	No	33%
Monthly	44%	Work in progress	0%	No idea	34%
Seasonal	22%				



According to Table 2, 45% of accommodation businesses in the district Beyşehir have quality document and 22% of them states that the works continue for documents. Despite this rate, 67% of the businesses do not have quality control department. All of businesses make cost control. The businesses monthly makes their cost controls the most frequently

The last section of the survey consists of 10 questions, with Likert scale, measuring the viewpoints of the managers of accommodation businesses to quality cost system. The information related to answers given to the questions is shown in Table 3 and explained.

Table 3: Perspective of business management to quality cost system

	Mean	SD
An effective quality costs system will positively affect the profitability of business.	4,00	1,323
An effective quality costs system will increase the competitiveness of the enterprise and ensure continuity.	4,11	0,928
An effective quality cost system will increase business sales and market share.	3,78	1,202
Quality cost reports will guide to management in making the right decisions.	4,00	1,323
An effective quality costing system will ensure quality awareness in all business people.	3,44	1,509
The quality costs system will help to reduce the defective products and services to a minimum level.	4,11	0,782
The quality costs system will help prevent job losses.	4,11	1,269
Maintenance-repair or additional equipment and hardware acquisition and placement decisions will make more rational decisions.	3,67	1,581
The quality costs system will ensure that the problematic areas within the enterprise are easier to identify and fix problems.	3,78	0,972
The process of quality costs is an expensive process, but it is amortizing itself when it is well run.	4,00	1,225

4. Conclusion

Economic and technological developments experienced today urged hotel businesses to an intensive competition. Although this competition has very different dimensions, it generally focused on the quality of goods and services. All over the world, quality awareness has rapidly developed and it has been adopted the view that the production of high quality product can be realized by adhering to the certain standards. For this aim, the various standards that will provide high quality production were formed. ISO 9000 Standards, one of the most important ones of these standards. ISO 9004/2 Standards expresses quality security system in service sector. Together with the development of these standards, it will be possible for hotel business to comply with the certain standards about the goods and services they produce. That the existing competition between tourism businesses in fact concentrate on the quality of the goods and services produced has made quality standards more important. Providing and documenting quality that is very important factor In directing the preference of touristic consumers have become an obligation of modern tourism business management of today. Establishing quality security systems, analysis of quality costs, and evaluation of quality in tourism businesses requires important changes in the organizational structure of businesses. First of all, accounting departments of tourism businesses should be organized with the approach of management accounting and should monitor quality costs in this structure; in addition, a quality management department should be established to assess these data and carry out works according to their results. With an effective quality control system that will be established, between quality costs arising from tourism business and benefits provided from operating this system, a balance can be established in favor of business and it can be used as an important instrument in increasing the share business will take from touristic market.

The perception that quality cost systems will help in reducing the defective goods and service to the minimum level for managers of accommodation businesses turned out high in the study carried out. The perception that "managers will provide an effective quality costs system to form quality awareness in all employees of the business" is low. In general, business managers believes that quality cost systems will make positive effect on the profitability of businesses, reduce cost, and increase competition and that its role on employees and identifying problem will make relatively less contribution.



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