

Availability of target cost ingredients method in the Jordanian tour companies

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Abstract

The study aimed to reveal the extent of applying the target cost method in the tourism companies. A questionnaire was used for collecting primary data. The most important conclusions reached after analyzing the data were that these companies recognize the needs of agents, but it fails recognize the tourist ability to pay, and not being able to identify the wishes of tourists from a tourist product. It shows that it analysis the market efficiently, but does not conduct continuous studies to see the possibility of having a new competitor, and study and follow-up factors affecting the tourism sector. It also shows that they work with team spirit. And carry out procedures for continuous improvement to reduce costs, but it does not study the ways to manage costs in competitors companies, nor bother to identify the causes of the appropriate cost.

The study recommended tourism companies to identify the ability of tourist to pay for tourist products they provide, and to continuously identify the tourist products tourist's wishes for. And to conduct continuous studies to see the possibility of having a new competitor, and study and follow-up factors affecting the tourism sector and to develop working relationships in various sections, and notified the staff of the importance of their role in the decision making to reduce cost. And to study ways to manage costs in competitors companies, and identify the causes of the appropriate cost.

1. Introduction:

The need of tourist facilities to have a precise definition for its operations, functions, and services increased in recent times because of the need to increase their ability to reduce costs and to compete at local, regional and global levels. In this regard the service pricing decision is considered to be one of the most important decisions facing these facilities which required a lot of costs information with certain characteristics such as accuracy and detail (Rugby, Mohammed, 2004).

Techniques, ways and methods of cost have evolved to meet the constantly renewed needs. Including target cost method, where it is considered a qualitative transformation form costs pricing job before

pricing it, to determine price and then determine the target costs. The mechanism of this way is to determine the price that you can sell your product with according to the willingness and ability of the client and then determine the planned cost or product targets based on the profit target. To then work to provide the product with costs no more than the target cost (Choe , J , 2002).

Identifying the needs of tourists in terms of product pricing and specifications, help tourism companies to reach the targeted cost number required. Designing and planning of tourism product to meet the needs of tourists to avoid unnecessary activities. Working with team spirit, which includes various specialties and functions, and departments. And work to further improve performance and reduce costs (Jareerh, Talal, 2009).

2. The previous studies

2.1 Jareerah study (2009): The study examined the contribution of a target cost in lighting devices industry in Syria in increasing pricing decisions. It turns out that the actual product cost more than the target cost, this increase is loaded on the cost elements that they intend to cut down to reach the target cost

2.2 Matarneh study (2008): The study showed that there are some elements in applying the target cost like providing a market characterized by fierce competition, and the company determined the duration needed for the product to re develop, and rapid providing of raw materials. It turns out that there are some constraints to apply this method like fluctuation raw material prices, fear of adopting new methods of management, and high costs of the application.

2.3 Ibusuki and Kaminiski study (2007): The study aimed to examine the role of engineering value and target cost in managing the cost target in one of the car companies; it was found that it led to a reduction in the cost of products in the company while maintaining the appropriateness of these products to customers ' wishes

2.4 Alrihawi study (2006): The study examined the ways of calculating costs of products including the target cost, and the impact of these methods in decision-making. Particularly pricing and production decisions.

The study showed that reaching the specific target cost is through product design in a way that it is high quality. And emphasized the role of cost data in pricing products through understanding of the causes of costs in various functions of the value chain.

2.5 Marliyn study (2005): The study aimed to clarify the administrative content to apply the target cost management through practical examples in some industries, and it highlighted the challenges of implementation and the importance of operational practices.

The study found that the target cost is more focused on the time form traditional methods; time is required to fetch all costs through a chain of support to acceptable levels.

Also it found that implementation of this method requires comprehensive coordination between financial specialists and accounting specialist.

3. Problem of the Study

The problem of the study is in questioning the reality of applying the principles of a target cost in tourism companies. Is the tourists needs have been fully identified. Is the work done with team spirit? Is their reliance on continuous improvement to reduce costs?

4. Objectives of the Study

The study aims to demonstrate the extent by which the tourist companies apply the target cost through:

- 4.1 Detecting how much does Jordanian tour companies know about the needs of tourists.
- 4.2 Identify the extent to which the Jordanian tourism companies analysis the market.
- 4.3 Identify whether Jordanian tour companies working in team spirit.
- 4.4 Demonstrate the extent to which Jordanian tour companies depend on continuous improvement to reduce costs.

5. The importance of the study

The importance comes form the following points:

- 5.1 The importance of the Jordanian tourism companies role in building the national economy.
- 5.2 The importance of target cost management way in managing and reducing costs and increasing the competitiveness degree and ability.
- 5.3 The scarcity of previous studies, which examines the subject of target cost in Jordanian tourism sector.

6. The study hypotheses:

This study tested the following hypotheses:

- 6.1 Jordanian tour companies identify customer needs.
- 6.2 Jordanian tour companies make a market analysis.
- 6.3 Jordanian tour companies work in team spirit.
- 6.4 Jordanian tour companies based on continuous improvement to reduce costs.

7. Methodology of the study

The study based on the analytical descriptive approach, where data were collected from a sample survey and analyzed to test assumptions and reach results. And a questionnaire was used as a tool for gathering such data, which measure the actual reality of the sample according to the sample survey opinion.

8. Society and the study sample:

Study community consists of all Jordanian tourism companies, and 20 companies were chosen randomly to distribute questionnaires to their employees who were able to answer these paragraphs questionnaire.

9. Tools of the study:

73 Questionnaires has been distribute to the study sample, 62 questionnaires have been restored which

is 85%. The closed questions was the used method and the options available were (strongly agree, agree, neutral, disagree, strongly disagree). And the previous answers by degrees was (5, 4, 3, 2, 1) respectively.

10. The statistical methods used:

Several statistical measures were calculated, arithmetic mean, t test, Cronbach's alpha test, and standard deviation. For the answers of the questions the standard of accepting any question has been, if the arithmetic mean is greater than 3, and to be of abstract meaning the t value must be greater than the tabular value or that the level of significant is less than 0.05.

11. Description of personal and functional factors of the respondents

Table No. (1) Shows a description of personal and functional factors of respondents involved in the study sample, as follows:

- * Gender: 66% of respondents were male. And 34% were female.
- * Specialization (Major) : 37.10% of the sample are of specialized in accounting major, , 19.35% specialized in tourism, 17.74%. Specialized in financing, 14.52% specialized in hotels business management, 4.84% specialized in business management, 1.61% specialized in accounting information. And 4.84% other disciplines
- * Educational level: 58.06% of sample study obtaining diploma, 32.26% of the sample obtaining BS, and 4.84% of the sample obtaining masters, and 3.23% obtaining general secondary, and 1.61% of PhDs.
- * Years of experience: 61.29% between (6-10) years of experience, 22.58% (1-5) years of experience, 11.29% (11-15) years of experience. 4.84% 15 years and more of experience.
- * Job level: the table shows that 41.94% are staff members, 37.10% of the samples are section chiefs, 14.52% are Deputy Director, and 6.45% are managers.

12. Tool Persistence:

* Persistence tool has been tested by Cronbach's alpha factor alpha, looking at table (2) we notice the following:

1. Alpha value for identifying customer needs dimension was 0.69
2. Alpha value for market analysis dimension was 0.80
3. Alpha value for teamwork dimension was 0.64
4. Alpha value for continuous improvement dimension was 0.73
5. Total alpha value of all the paragraphs combined was 0.85

All these values are higher than 0.60 which means that there is a steadiness in the study tool.

13. Hypothesis testing

13.1 Hypothesis 1: Jordanian tourist companies identify customer needs.

Table 3 shows that:

1. With the exception of paragraphs 3 and 4, the other paragraphs have got larger mathematical averages >3.00 and level of significance < 0.05 . which means that it is of moral significance and this indicates its presence. And paragraph No. 1 which measure "corporate response to the

- needs of tourists from products they desire" came in first place by arithmetic mean of 4.25. Paragraph No. 2 came second, and paragraph 5 came in last within statistically acceptable paragraphs.
2. Paragraph No. 3 got 2.85 arithmetic mean less than 3.00, it is not moral significance. This means that companies don't recognize the ability of tourist to pay for tourist products provided by them.
 3. paragraph No. 4 has also got arithmetic mean less than 3.00, so companies do recognize the continuously wishes of tourists from a tourist products.
 4. For the total of the paragraphs the arithmetic mean was 3.40 and 0.00 level significant, which means that the first hypotheses "that Jordanian tour companies identify customer needs" is acceptable.

13.2 Hypothesis 2: Jordanian tourism companies analysis the market efficiently

Table 4 shows that:

1. With the exception of paragraphs 7, 10, the other paragraphs have got arithmetic mean larger than 3.00 and significant level less than 0.05. This means that it has moral significance and this indicates that it is statistically presence. Paragraph No. 9 which measure "companies studying pricing among competitors tourist companies to determined the price of tourist products" has got 4.07 arithmetic mean. Paragraph No. 8 came second, followed by paragraph No. 6, and paragraph 11 last place within paragraphs statistically acceptable.
2. Paragraph 7 got 2.30 arithmetic mean which is less than 3.00, it is not moral significance. This indicates that companies don't do a continues studies to known the possibilities of new competitor accessing.
3. Paragraph 10 has also obtained arithmetic mean less than 3.00, which is 2.75 that indicates than companies do not study and follow-up the factors affecting the tourism sector.
4. with regard to total paragraphs it has reached 3.50 and significance level that is 0.00 which means that the second hypothesis" that Jordanian tour companies analyze the market efficiently" is acceptable.

13.3 Hypothesis 3: the Jordanian tour companies have a team work spirit.

Table 5 shows that all the paragraphs got arithmetic mean bigger than 3.00, and significant level less than 0.05. Which means that it is of moral significance and this indicates that is statistically presence. Paragraph No. 14 which measure "corporate helping staff in developing their relations in various sections" has got 4.18 arithmetic mean and. Paragraph No. 12 ranked second, followed by paragraph No. 13, then came in last paragraph 15.

As for the sum of the arithmetic mean for the paragraphs it was 3.98 and 0.00 significance level. Which means that third hypothesizes which measure that "the Jordanian tour companies have a team work spirit" is acceptable.

13.4 Hypothesis 4: Jordanian tourist companies follow the procedures related to the continuous improvement to reduce costs.

Table 6 shows that:

1. With the exception of paragraphs 16, 21, the other paragraphs have got arithmetic mean larger than 3.00 and observation level less than 0.05. Which mean that it is moral significance and this indicates it is statistically present? Paragraph No.19, which measure "companies compare its performance with the performance of other companies" by 4.00 arithmetic mean. Paragraph No. 20 ranked second, followed by paragraph No. 18, then came in last paragraph 17 under statistically acceptable paragraphs.
2. Paragraph No. 16 got 2.17 arithmetic mean which is less than 3.00, it is not moral significance. This indicates that companies do not study ways of cost management in competitor corporations.
3. Paragraph 21 also got arithmetic mean less than 3.00, which is 2.02, any. This indicates than companies don't bother to identify the causes of the appropriate cost.
4. with regard to total arithmetic mean of the paragraphs it was 3.13 and 0.02 observation level which means that the fourth hypotheses" that Jordanian tour companies follow the special procedures for continuous improvement to reduce costs" .have been accepted

14. Results and Recommendations

14.1 Results

The study concluded that:

1. Jordanian tour companies identify the customer needs. and respond to the needs of tourists from products they wish to, companies identify desired services by the tourists. But do not recognize the ability of tourist to pay for tourist products they provide, and don't learn about the wishes of tourists from a tourist product continuously.
2. Jordanian tourism businesses efficiently analysis the market. companies undertake studies on the quality of services provided by competitors, and make continuous studies to identify new tourism products of competitors, it also study the pricing in the competitors companies to fix the prices of the tourists products, tourist companies conduct studies on price competition for services. But these companies do not do any studies to determine the access of a new competitor, and do not study and follow-up the factors affecting the tourism sector.
3. Jordanian tour companies work in team spirit. Where management encourages the exchange of experiences between different sections through decentralization, and the Department of corporations benefit from the experiences and views of the staff on the services provided, and develop staff relations in various departments, the Department notify the staff of the importance of their role in the decision to reduce cost.
4. Jordanian tourist companies make special procedures for continuous improvement to reduce costs, as companies work to reduce some of the costs of services without affecting the essential quality, and takes care of any cost reductions whatever small in size it is, and compare performance with the

performance of other companies, and strengthen the role of observation on the different section which leads to reducing the wasting of time. But companies do not study ways of cost management in the competition corporation, and companies have no interest in identifying the causes of the appropriate cost.

14.2 Recommendations

The study recommends the followings:

1. The study recommends tourism businesses to recognize the ability of Jordanian tourists to pay for tourist products, and to continuously identify the wishes of tourists from tourist products.
2. Jordanian tourism businesses should continuing studies to determine access of a new competitor and to study and follow-up the factors affecting the tourism sector.
3. The Jordanian tourism companies should develop relations of employees in various departments, and shall notify the staff of the importance of their role in the decision to reduce cost.
4. Jordanian tourism companies should study ways of cost management in other competitive corporations, and to have interest in identifying the causes of the appropriate cost.

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Table No. (1): factors and percentages of respondent's personal variables:

Factor	Element	Freq	%
Gender	Male	41	66.13
	Female	21	33.87
Specialization (Major)	Tourism	12	19.35
	Hotels business management,	9	14.52
	Business management	3	4.84
	Accounting information system.	1	1.61
	Accounting	23	37.10
	Financing	11	17.74
	other disciplines	3	4.84
Educational level	Secondary	2	3.23
	Diploma	36	58.06
	Bachelors	20	32.26
	masters	3	4.84
	PhD	1	1.61
Years of experience	1-5	14	22.58
	6-10	38	61.29
	11-15	7	11.29
	more than 15	3	4.84
Job level	managers	4	6.45
	Deputy Director	9	14.52
	section chiefs	23	37.10
	Staff	26	41.94

Table No. (2): Cronbach's alpha values for the study dimensions

Dimension	Cronbach's alpha
identifying customer needs	0.69
market analysis	0.80
Teamwork	0.64
continuous improvement	0.73
total	0.85

Table No. (3): arithmetic mean, standard deviation, t value and the level of significance to analyze customer needs:

Item No	Item details	Arith mean	Std. dev	T value	Sig lev
1.	the company responds to the needs of tourists from products that they wish	4.25	0.70	13.75	0.00
2.	tourist products prices are determined based on the ability of tourists	4.17	0.74	12.21	0.00
3.	the company recognized the ability of tourist to pay to determined what tourist products to offer to him a -	2.85	1.39	-0.84	0.41
4.	the company continuously identify the wishes of tourists from a tourist products	2.65	1.51	-1.80	0.08
5.	the company identify the desired services by tourists	3.65	0.80	6.30	0.00
All items		3.40	0.39	7.94	0.00

Table No. (4): arithmetic mean, standard deviation, t value and the level of significance to market analysis:

Item No	Item details	Arith mean	Std. dev	T value	Sig lev
6	the company undertake studies on the quality of services provided by competitors	3.97	1.30	5.75	0.00
7	Companies do continue studies to known the possibilities of new competitor accessing.	2.30	1.09	-4.96	0.00
8	the company do continuing studies to identify new tourist products of the competitors	4.03	0.64	12.57	0.00
9	the company study prices of the competitors to determined the prices of the tourist products	4.07	0.71	11.64	0.00
10	company study and follow-up the factors affecting the tourism sector	2.75	1.40	-1.39	0.17
11	the company do studies on the competitors pricing for Services	3.90	0.99	7.07	0.00
Total		3.50	0.49	7.94	0.00

Table No. (5): arithmetic mean, standard deviation, t value and the level of significance to team work spirit:

Item No	Item details	Arith mean	Std. dev	T value	Sig lev
12	Department encourages the sharing of experiences between different sections through decentralization.	4.05	0.43	18.97	0.00
13	Department of the company benefit from the experiences and views of the staff on the services provided	3.88	0.87	7.91	0.00
14	the company develop employees relation in the various sections	4.18	0.65	14.09	0.00
15	the Department notified the staff of the importance of their role in the decision to reduce cost.	3.82	0.57	11.15	0.00
	Total	3.98	0.43	17.55	0.00

Table No. (6): arithmetic mean, standard deviation, t value and the level of significance to the special efforts for continuous improvements to reduce costs:

Item No	Item details	Arith mean	Std. dev	T value	Sig lev
16	the company studies ways to manage cost in competitors companies	2.17	1.15	-5.60	0.00
17	company work to reduce some of the costs of services without compromising essential quality	3.43	1.37	2.45	0.02
18	company cared for any costs cuts whatever small it is	3.52	1.30	3.09	0.00
19	the company compared its performance with the performance of other companies	4.00	1.18	6.57	0.00
20	Company strengthen the role of observation on the different section which leads to reducing the wasting of time	3.67	0.90	5.77	0.00
21	company care about identifying the causes of appropriate cost	2.02	0.47	-16.24	0.00
	Total	3.13	0.42	2.43	0.02

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