

DESTINATION DEVELOPMENT: ENHANCING SMALL TOURISM FIRMS COMPETITIVENESS

Branko Nikolovski

Faculty of Tourism and Hospitality, Ohrid, Macedonia,
branko.nikolovski@uklo.edu.mk

Abstract

This paper examines the tourism destination as a dynamic system of tourism components interplays. Systemic model of destination competitiveness includes analysis of comparative advantages (tourism resources) and competitive advantages (ability to use tourism resources effectively) of a given destination compared to its competitors. Destination development strategies that enhance Small Tourism Firms (STFs) competitiveness are brand value, agglomeration effects, differentiation strategy, cooperation, cost disease, state incentives, applying knowledge –based economic models and activities, clusters, alliances, networking, cooperation, and developing entrepreneurial support organizations (ESO's). System view of tourism helps us to match tourism destination with appropriate supply and demand component development strategies. This approach enhances destination's capacity to develop and integrate value-added products and services which in turn strengthens destination market position, while carefully spending its resources. Thus, destinations apply specific processes which transform assets (natural resources and infrastructures) into tangible economic results.

Key words: destination development, entrepreneurship, management, small tourism firms (STFs)

INTRODUCTION

Viewing tourism as a dynamic system starts with geographical analysis of tourist flows and understanding of tourism components interplays (Jakulin, T., 2017, Richards, G., 2002, Boers, B. & Cottrell, S.P., 2007). These can be called general framework for understanding tourism. System view of tourism helps us to match tourism destination with appropriate supply and demand component development strategies. This approach enhances destination's capacity to develop and integrate value-added products and services which in turn strengthens destination market position, while carefully spending its resources. Thus, destinations apply specific processes which transform assets (natural resources and infrastructures) into tangible economic results.

Tourists travel from their origin (country that generates the tourists) to their final destination (locations and places receiving visitors). Origin refers to the source of tourism demand, while destination is on the supply side of the origin-destination tourism system. Marketing activities are assumed in the tourists' generating countries, while planning and development takes place at the destination level.

Studying tourism systems and travel flows focus us on the functional side of the tourism. Mill and Morrison (2012) identifies following parts of the tourism system:

- market (tourists);
- travel (transportation);
- destination (attractions, facilities and services); and
- marketing (information, promotion).

Each of these components is closely connected with each other in a networked functional model.

SYSTEMATIC APPROACH TO DESTINATION DEVELOPMENT

By viewing tourism as an origin-destination functional system, one accepts that place in the same time can generate tourists and function as a destination (Flognfeldtjr., T., 2005). Interaction between demand markets and destination supply components will develop tourist structures based on the tourists' characteristics and behavior. Supply side components cooperate with tour agencies and tour operators in meeting the needs of the demand markets. Destination attractiveness can be understood as a function of demand and supply

interplays. Physical distribution, significance, and value of tourism resources influence on a grate scale destination uniqueness and attractiveness.

By using the term “functioning tourism system” (Var, T. & Gunn, C. (2002),we can easily portray supply side linkages (transportation, information, promotion) that help tourists (demand side) to access their destination. These linkages on the other side help destination businesses to promote specific tourism products, to convey image and pricing, in order to affect decisions of potential tourists. Advertising and promotions can greatly influence tourists’ expectations and demand for tourism destinations. On the other hand, supply side quality of service and facilities directly affects tourism experiences and satisfaction.

We understand that tourism is interdisciplinary and distinctive social and economic phenomenon that involves interconnected components of tourism products and services provided by different business sectors. Here, tourism planning helps to illuminate the interrelationships between tourism components in order to proactively add value to tourism attractions and resources through tourism development, and as a consequence raise competitive and comparative advantage of a given destination.

Components of tourism planning and development can be classified as (Sharpley, R., Telfer, D.J, 2014; Wood, M.E. 2017):

- tourist attractions and activities,
- accommodations,
- transportation facilities and services,
- institutional/informatics infrastructure, and
- other tourist infrastructure and services.

Thus to origin-destination functional model of tourism system, major components in tourism planning are:

- inventorying and managing of destination’s resources (attractions, accommodations, transportation, institutional infrastructure) and
- mapping and evaluation of existing and potential markets (tourist satisfaction, number of visitors, etc.)

Planning can be efficiently executed to overcome the seasonality of an area (Mason, P., 2015). These can be achieved through incorporating the tourism planning into the overall development plan and policies, and with focusing on specificity of a unit or area. National, regional, and local levels are responsible for tourism planning. Also, tourism planning includes urban development as a more complex compared to rural development. Here, we need to mention the need of maximum local community involvement and participation in the

decision-making tourism planning process, as a mean for clarifying the benefits of tourism development to the community. According to Pearce (2012) the goal of tourism planning is to correlate and match tourism supply and demand components in order to contribute to the competitiveness of tourism destinations.

SOURCES OF DESTINATION COMPARATIVE ADVANTAGES

According to Crouch & Ritchie (1999) primary elements of destination comparative advantages are those that motivate tourists' visits, such as physical geography, cultural and historical amenities, events, activities, market development and tourism superstructure (Águas, P., Veiga, C. and Reis, H., 2010). Supporting factors and resources serve as secondary sources of destination competitiveness (infrastructure, access, variety of small businesses, facilitating resources). Destination's appeal is determined by destination attractions and resources. Thus, these attractions and resources are becoming determinants of competitiveness, and are being considered as tourism supply factors (Cook, R.A., Hsu, C.H.C, Taylor, L.L., 2017).

Buhalis (2000) lists following major tourism attractions and resources (Ringbeck J., Gross S., Chiesa T., Blanke J., 2008):

- attractions (natural features, climate, cultural and social characteristics, heritage, and artificial, purpose-built, special events),
- accessibility (transportation facilities, routes, terminals, and vehicles),
- amenities (accommodations, hospitality, retail, and other services),
- available packages (prearranged tourist products), activities, and
- ancillary services (banks, telecommunications, hospitals, etc.).

The tourism attractions and resources are associated with micro-and-macro environment factors, and as value-added activities contribute and raise appeal and overall market position of a tourism destination. Inventory and assessment of destination attractions is a must in tourism planning in order to develop competitiveness of a destination.

DIMENSIONS OF DESTINATION COMPETITIVE ADVANTAGES

Competitiveness can be viewed as finding better ways of producing goods and services than competitors, and successfully marketed them to consumers in order to create competitive advantage. The World Economic Forum, which has been measuring competitiveness among countries since 1979, defines it as “the set of

institutions, policies and factors that determine the level of productivity of a country” (<https://www.weforum.org/agenda/2016/09/what-is-competitiveness/>). In the tourism specific context, competitiveness concerns different destination types and has expanded to effective tourism sustainability development. Value-increasing destination competitiveness strategy includes price, quality, image and integrated quality management strategies. As such, these has been incorporated into marketing planning, and once the tourism development pole has been identified (cluster), decision is made about most appropriate market segments in parallel with competitive opportunities of the cluster. Evaluation and comparison of different and diverse attributes of competing destinations can help in determining future development of destination competitiveness. Market longevity and destination sustainability is of major interest in tourism destination development. Porter’s four determinants (Porter, M. E., 1980) are fundamental source of understanding the destination competitiveness. These determinants are:

- factor condition (institutions, infrastructure, labor quality),
- demand condition (tourism infrastructure and services),
- supporting industries (retail, banking, ancillary services), and
- firm strategy, structure, and competition.

Systemic model of destination competitiveness includes analysis of comparative advantages (tourism resources) and competitive advantages (ability to use tourism resources effectively) of a given destination compared to its competitors. According to Ritchie & Crouch (1993, 2000) the factors that influence competitiveness of tourism destination are being identified, and then success performance indicators of tourism destination are determined. After applying strength and weaknesses grid chart, relative position of a tourism destination compared to its competitors should be analyzed.

Quality of natural attractions is fundamental part of destination competitiveness. As such, management has a critical role in linking environmental management and competitiveness. Rašovská, & Ryglova (2010) found that integrated quality management, and maintaining quality supply increases market share and sustains market position. Diverse knowledge about urban and rural planning, historic and cultural preservation, economic and social development is required for effective implementation of integrated quality management on a scale of a destination. As literature suggests (Rudančić-Lugarić, A., 2014), appropriate combination of tourism attractions and resources with enhancement strategies for destination competitiveness can deeply influence market position of a destination.

Development preference of tourism attractions and supporting destination enhancement strategies is on the forefront of and builds up destination market strengths and competitiveness.

DESTINATION DEVELOPMENT STRATEGIES THAT ENHANCE SMALL TOURISM FIRMS COMPETITIVENESS

Underlying the uniqueness of a destination's products and services is a natural market strategy. Thus, local STF's take gains of the reputation and destination's image recognition. Destination builds up its brand value which in turn allows tourism product prices to go well above the marginal costs. Also, geographical concentration of large number of businesses and equipment generates agglomeration effects. This, stimulate builds up of attractive tourism infrastructure and equipment (shopping streets and malls, wellness and fitness centers, etc.). As a result, tourists have variety of opportunities of choosing the tourism products, this is called differentiation strategy. Development of brand is expensive and very difficult process. Brand management requires continuous product improvement and effective quality management system. Specialization of products and services is more expansive than standardization that requires diverse infrastructural activities and support.

Tourism is a fragmented industry. As such, products and services have high cost. Individual STF's are inclined naturally towards cooperation with others in offering and marketing their products as packages, in order to bring down their operating costs. One example could be reservation system on a destination level which reduces costs. Also, local and regional tourism organizations have unique ability communicating specific destination messages to the market. Choosing to compete as a single unit or as a consolidated product and service provider is another strategy; integrated destination's service providers are more competitive than a single unit. Integrated hotel chains through cooperation expand their operations and seek additional economies of scale on the market.

The large number of STF's operating on the tourism market contributes towards insufficient productivity. Overall productivity in tourism industry is below the average of the economy. Prices of the products and services are high, and risk of becoming obsolete to the market is very real. Labor and capital are very hard to obtain, and STF's are caught in viral cycle of cost disease. Thus, STF's create innovative solutions for their products, in order to bring down the high levels of operating costs. Tourism industry is primarily service industry, but needs to

change towards “experience and dream industry”. Destination experience value can be increased through new and innovative services, building welcoming atmosphere, and creating personalized services for each tourist in a destination. Here, information technology (internet and online services) help STFs to increase their presence on the market, and their productivity.

Concentration of tourism in the best locations is another strategy of building destination competitiveness. These locations have become poles of endogenous growth in terms of number of attractions, and increasing size of the companies which operate within destination limits. Agglomeration effects combined with economies of scale raise the competitiveness of tourism poles. Here, usually with the help of the government, foreign investors are setting up large tourism resorts with standardized offerings, which are focused mainly on the international market. Experience shows that STFs emerge and become active with development of internal tourism only. Instead of supporting individual private entities, the state incentives should focus on tourism related training, destination marketing, enabling cooperation and innovation between market participants, conservation and protection of natural and cultural heritage, and development of competition.

In the new “entrepreneurial economy”, source of competitive advantage shifts away from capital and labour towards knowledge –based economic models and activities, specifically, by developing localized production grids networked into specialized clusters, and by shifting government business focus towards regionalization and decentralization (Audretsch, D.B. & Thurik, A.R., 2001). According to Nordin (2003) tourism clusters are geographic concentrations of interconnected companies, suppliers, service providers, and institutions which compete and cooperate in the same time. STFs are forming clusters in order to become more competitive, this suggests that competitive advantage lies in the location of business units instead in the business capacity of the company or the industry. According to Desrochers & Sautet (2004) cluster participants serve different market segments, but coordinate their activities in areas of mutual interests, thus improving their competitive advantage. Examples of geographic clustering is wine production and wine tourism in Macedonia (Letica, B., Doncev, D., Esen, E., Mijic, N., Cassel, S., 2006).

Porter (2003) sums up how clusters influence competition in three general ways, one, by increasing the productivity of cluster firms, two, by increasing the capacity for innovation of cluster firms, and three, by stimulating new firm formation that expands the cluster and support innovation. All this is achieved

through better access to specialized employees, information, knowledge, institutions and other public services, incentives and performance measurement, and developing of complementarities. For example, tourist experience is not motivated by primary attraction only, but also depends of quality of airport services and other transportation facilities, comfort of the area hotels, serviceability of restaurants, retail shops, etc.

Within a cluster environment, important strategy often applied is that of alliances, networking and cooperation. Alliance is a form of inter-organizational relationship, without the formation of separate independent organization, pursuing one or more strategic goals. Joint ventures, franchises, are based on integration and cross-ownership. Alliances can be vertical and horizontal, which leads to control of product creation process. According to Rothkegel, Erakovic, Shepherd, D. (2006) STFs cooperation can be focused on horizontal partnerships (hotel accommodation), vertical (complementary business integration), or lateral (diverse business integration).

Van der Zee, & Vanneste (2015) and Ammirato, Felicetti, Gala (2015), describe the process of networking which results in marketing, branding and system advantages for individual businesses over larger rivals. Tourism as an industry with large number of small businesses provides few resources for individual development. Linking to other STFs provides complete tourist experience. Networking benefits can be realized in the image improvement, customer satisfaction, overcoming seasonality, developing new ideas for diversified products and services, marketing of the region attractiveness, etc.

Developing entrepreneurial support organizations (ESO's) provides opportunity for development of new business ventures in the destination. This is done through incubator organizations which provide managed work space with shared facilities (finance, advisory, and training services), networking opportunities for participant companies; and core managerial services. Successful ESO's identify, engage, and support local entrepreneurs into creation of new business ventures; build networking and mentoring environment; help entrepreneurs in securing needed capital to start enterprise; build entrepreneurial knowledge in diverse market environments; provide access to business counseling, mentoring, networking, and entrepreneurial training; and facilitate entrepreneurs to pursue their passion for creating new business ventures.

CONCLUSION

Competitiveness is the ultimate goal of management, and of sustainable tourism and marketing efforts (price, promotion, distribution, image, branding, positioning). Developing flexible and customized products, and targeting specific tourism market segments heavily contributes to destination competitiveness. Interplay, collaboration and cooperation between tourism suppliers are essential sources of destination flexibility and market positioning. Based on the notion that tourist needs are drivers for change on the supply side, market linking with product development, customer satisfaction, and image development are necessary for destination competitiveness. Well defined and executed destination management program by a destination management organization will lead to enhancement of competitiveness.

Other factors that influence competitiveness are facilities and equipment, human services and providing memorable tourism experiences at high levels of quality in services. Understanding visitor needs and development of destination products is supported by regular monitoring of visitor satisfaction and market performance of destination. Another approach to destination development is sustainability. Sustainability should focus on economic and ecological effects of tourism development, and on social, political and cultural impacts of tourism.

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