COMPETITIVENESS IN TOURISM

PROF. Dr. N VANHOVE
TWO PARTS

• PART 1: COMPETITION MODELS
• PART 2: 10 KEY FACTORS
PART 1: COMPETITION MODELS

PORTER- competitive forces
PORTER – diamond/determinants
POON
PRICE COMPETITIVENESS
WES
BORDAS
RITCHIE-CROUCH  Destination competitiveness

See N Vanhove, The Economics of Tourism Destinations, ch 6
A COMPETITIVE DESTINATION

- DEFINITION (RITCHIE AND CROUCH): ‘...ITS ABILITY
- TO INCREASE TOURISM EXPENDITURE,
- TO INCREASINGLY ATTRACT VISITORS
- WHILE PROVIDING THEM WITH SATISFYING MEMORABLE EXPERIENCES AND
- TO DO SO IN A PROFITABLE WAY,
- WHILE ENHANCING THE WELL-BEING OF DESTINATION RESIDENTS AND
- PRESERVING THE NATURAL CAPITAL OF THE DESTINATION FOR FUTURE GENERATIONS’
PORTER: THE COMPETITIVE FORCES
PORTERS’ COMPETITIVE STRATEGY

• WHY FIRMS BASED IN A PARTICULAR NATION ARE ABLE TO COMPETE SUCCESSFULLY AGAINST FOREIGN RIVALS IN PARTICULAR INDUSTRIES?

• PORTER DISTINGUISHES BETWEEN:
  – THE ACTIVITIES OF INDIVIDUAL FIRMS IN SEEKING SUCCESS IN GLOBAL INDUSTRIES (THE FIVE COMPETITIVE FORCES; GENERIC STRATEGIES)
  – THE DETERMINANTS OF NATIONAL COMPETITIVE ADVANTAGE (SEE THE DIAMOND)
COMPETITIVE STRATEGY

— “TAKING OFFENSIVE OR DEFENSIVE ACTIONS TO CREATE A DEFENDABLE POSITION IN AN INDUSTRY, TO COPE SUCCESSFULLY WITH THE FIVE COMPETITIVE FORCES AND THEREBY YIELD A SUPERIOR RETURN ON INVESTMENT FOR A FIRM”

— FIRMS HAVE DISCOVERED MANY DIFFERENT APPROACHES TO THIS END; BEST STRATEGY FOR A GIVEN FIRM IS A UNIQUE CONSTRUCTION REFLECTING ITS PARTICULAR CIRCUMSTANCES

— AT THE BROADEST LEVEL: THREE GENERIC STRATEGIES (CAN BE USED SINGLY OR IN COMBINATION)
The state of competition in an industry depends on these 5 forces.
THREAT OF ENTRY

• BARRIERS
  – ECONOMIES OF SCALE
  – PRODUCT DIFFERENTIATION (BRAND, CUSTOMER LOYALTIES)
  – CAPITAL REQUIREMENTS
  – SWITCHING COSTS (E.G. FOR THE BUYER)
  – ACCESS TO DISTRIBUTION CHANNELS
  – GOVERNMENT POLICY (E.G. LIMITATIONS NEW SKI AREAS)

• REACTION OF EXISTING COMPETITORS
  – RETALIATION
  – EXPERIENCE
RIVALRY COMPETITORS

- NUMEROUS OR EQUALLY BALANCED COMPETITORS
- SLOW SECTOR GROWTH
- HIGH FIXED COSTS (EG TOURISM)
- LACK OF DIFFERENTIATION
- HIGH STRATEGIC STAKE (TO BE SUCCESSFUL IN ONE MARKET)
- HIGH EXIT BARRIERS
PRESSURE FROM SUBSTITUTE PRODUCTS

• ALL FIRMS IN AN INDUSTRY ARE COMPETING, IN A BROAD SENSE, WITH INDUSTRIES PRODUCING SUBSTITUTE PRODUCTS

• SUBSTITUTE LIMITS THE POTENTIAL RETURNS OF AN INDUSTRY BY PLACING A CEILING ON THE PRICES FIRMS IN THE INDUSTRY CAN PROFITABLY CHARGE

• TOURISM: EG DOMESTIC TOURISM, RECREATIONAL ACTIVITIES AT HOME
BARGAINING POWER OF BUYERS OR DEMAND

• A BUYER GROUP IS POWERFUL IF: e.e.
  – IT PURCHASES LARGE VOLUMES RELATIVE TO SELLER SALES (e.g. TO HOTEL)
  – THE PRODUCTS IT PURCHASES FROM THE INDUSTRY REPRESENT A SIGNIFICANT FRACTION OF THE BUYER’S COSTS OR PURCHASES (HOTEL COSTS FOR A TO)
  – THE PRODUCTS IT PURCHASES FROM THE INDUSTRY ARE STANDARD OR UNDIFFERENTIATED (e.g. HOTEL ROOMS)
  – IT EARNs LOW PROFITS
BARGAINING POWER SUPPLIERS

• A SUPPLIER GROUP IS POWERFUL IF:
  – IT IS DOMINATED BY A FEW COMPANIES AND IS MORE CONCENTRATED THAN THE INDUSTRY IT SELLS TO
  – THE INDUSTRY (e.g. TO) IS NOT AN IMPORTANT CUSTOMER OF THE SUPPLIER GROUP (AIR CARRIER)
  – THE SUPPLIERS GROUP’S PRODUCTS ARE DIFFERENTIATED
  – THE SUPPLIERS’ PRODUCT IS AN IMPORTANT INPUT TO THE BUYER’S BUSINESS (e.g. FLIGHT COSTS FOR A TO)
  – THE SUPPLIER GROUP POSES A CREDIBLE THREAT OF FORWARD INTEGRATION
POSSIBLE APPROACHES

• AN EFFECTIVE COMPETITIVE STRATEGY TAKES OFFENSIVE OR DEFENSIVE ACTION IN ORDER TO CREATE A DEFENDABLE POSITION AGAINST THE FIVE COMPETITIVE FORCES. HOW?
  – POSITIONING (e.g. LOW COST)
  – IMPROVING THE FIRM’S RELATIVE POSITION (e.g. TO RAISE BRAND IDENTIFICATION, VERTICAL INTEGRATION)
  – DIVERSIFICATION
Generic competitive strategies

• IN COPING WITH THE FIVE C.F. THERE ARE THREE POTENTIALLY SUCCESSFUL GENERIC STRATEGIC APPROACHES TO OUTPERFORMING OTHER FIRMS IN OUR INDUSTRY

• FIRMS SUCCEED IF THEY POSSESS SUSTAINABLE COMPETITIVE ADVANTAGES. BASIC TYPES ARE:
  – LOWER COST
  – DIFFERENTIATION
  – SCOPE OR THE BREATH OF A FIRM’S TARGET WITHIN ITS INDUSTRY: PRODUCT VARIETIES/DISTRIBUTION CHANNEL/SEGMENTATION/GEOGRAPHIC AREAS
THREE GENERIC STRATEGIES

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<th>Competitive advantage</th>
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<th>Differentiation</th>
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<td>Broad target</td>
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<tr>
<td>Narrow target</td>
<td>Cost focus</td>
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COST LEADERSHIP

• LOWER COST THAN THE COMPETITOR
• PRICE REDUCTIONS ARE ACHIEVED THROUGH COST REDUCTIONS

• REQUIREMENTS:
  – LARGE MARKET SHARE
  – AGGRESSIVE PRICE POLICY
  – GOOD INFRASTRUCTURE AND ORGANIZATION

• EXAMPLES: THOMSON HOLIDAYS; BENIDORM

• ADVANTAGES WITH RESPECT TO COMPETITIVE FORCES
DIFFERENTIATION

• PERCEIVED AS BEING UNIQUE ALONG SOME DIMENSIONS OR ATTRIBUTES THAT ARE WIDELY VALUED (PREMIUM PRICE)

• ADVANTAGES:
  – LOYALTY/LESS PRICE SENSITIVITY

• HOW TO DIFFERENTIATE?
  – DESIGN/BRAND /CUSTOMER SERVICE/DEALER NETWORK

• EXAMPLE HOTEL
  – FUNCTIONAL UTILITY OR BENEFIT
  – SYMBOLIC UTILITY( e.g. IDENTIFICATION WITH A GROUP)
  – EXPERIENCE UTILITY( e.g. FRIENDLINESS)
FOCUS OR NICHE STRATEGY

• CONCENTRATION ON ONE OR MORE MARKETS - SEGMENTS - BUYER GROUP

• TO BE A “BIG FISH IN A SMALL POND”

• BASED ON:
  – COST LEADERSHIP
  – PRODUCT DIFFERENTIATION (TO MEET THE NEEDS OF THE PARTICULAR TARGET)
POON APPROACH
POON’S APPROACH

• NEW TOURISM CHANGES THE RULES OF THE GAME AND CALLS FOR NEW STRATEGIES TO ENSURE COMPETITIVE SUCCESS

• INNOVATION - INTRODUCTION OF NEW PRODUCTS- IS FAR MORE IMPORTANT THAN LOW COST, DIFFERENTIATION OR FOCUS.

• COMPETITIVE STRATEGIES FOR INDUSTRY PLAYERS
  – THEY HAVE TO FOLLOW A NUMBER OF PRINCIPLES TO COMPETE SUCCESSFULLY

• STRATEGIES FOR TOURISM DESTINATIONS
COMPETITIVE STRATEGIES FOR INDUSTRY PLAYERS

- PUT CONSUMERS FIRST
- BE A LEADER IN QUALITY
- DEVELOP RADICAL INNOVATIONS
- STRENGTHEN YOUR STRATEGIC POSITION
1. PUT CONSUMER FIRST

• LINK MARKETING WITH PRODUCT DEVELOPMENT
  • UNDERSTAND THE CONSUMER
  • BE HONEST/DELIVER WHAT IS PROMISED
  • BUILT SUCCESS FROM REPEAT BUSINESS

• SATISFY THE CONSUMER
  • BE FLEXIBLE (SANDALS POLICY)
  • PROVIDE THE EXPERIENCE CONSUMERS WANT
  • DELIVER ‘HIGH-TOUCH’ SERVICES

• DEVELOP A HOLISTIC APPROACH TO THE HOLIDAY EXPERIENCE: %
WHAT IS HOLISTIC APPROACH?

— THE HOLIDAY EXPERIENCE IS NOT SIMPLY THE BED-NIGHTS AT THE HOTEL

— INFLUENCE THE IMAGE AND DEVELOPMENT OF THE ENTIRE DESTINATION (e.g. DIRTY STREETS)

— CONTROL SERVICE DELIVERY AT ALL LEVELS
  • CUSTOMS AND IMMIGRATION
  • TOURS & ATTRACTIONS
  • POLICE
  • HARASSMENT ETC
2. BE A LEADER IN QUALITY

• DEVELOP HUMAN RESOURCES
  – DEVELOP CREATIVE RECRUITMENT AND PERSONAL MANAGEMENT
  – INVEST IN EDUCATION & TRAINING/MOTIVATE/REWARD

• IMPROVE PROCESSES CONTINUALLY
  – EMPOWER THE FRONT LINE
  – RELY ON FEEDBACK FROM THE FRONTLINE TO REFINE PRODUCTION.

• USE TECHNOLOGY CREATIVELY
  – FREE HUMAN RESOURCES FOR ‘HIGH TOUCH’ SERVICES
3. DEVELOP RADICAL INNOVATIONS

• DON’T BE AFRAID OF NEW IDEAS
  – EXPLORE NEW MARKETS
  – PROVIDE NEW SERVICES
  – DEVELOP NEW PROCESSES

• NEVER STOP LEARNING
  – LEARN FROM CONSUMERS, COMPETITORS & EMPLOYEES

• BUILD A CAPACITY FOR CONTINUOUS INNOVATION
  – DEVELOP A CULTURE FOR INNOVATION (EMPLOYEES)
  – REWARD INNOVATION AND ENCOURAGE NEW IDEAS
  – ORGANIZATIONAL STRUCTURES TO ACCOMMODATE CHANGE
4. STRENGTHEN STRATEGIC POSITION

• SEEK ADVANTAGEOUS POSITION IN VALUE CHAIN
  – INFLUENCE THE PROCESS OF WEALTH CREATION (E.G. INFORMATION TO UNDERSTAND THE CONSUMER)
  – BUILD STRATEGIC ALLIANCES

• INTEGRATE DIAGONALLY
  – COMBINE TRAVEL AND RELATED SERVICES (ECONOMIES OF SCOPE)

• INFLUENCE THE COMPETITIVE ENVIRONMENT
  – BUILD FIRST-CLASS EMPLOYEES
  – BUILD CLIENT AND WORKER LOYALTY
  – LONG TERM RELATIONSHIPS WITH SUPPLIERS
STRATEGIES FOR TOURISM DESTINATIONS

• PUTTING THE ENVIRONMENT FIRST
• MAKING TOURISM A LEAD SECTOR
• STRENGTHEN DISTRIBUTION CHANNELS IN THE MARKETPLACE
• BUILDING A DYNAMIC PRIVATE SECTOR
THE ISSUE IS NOT WHETHER TO DEVELOP TOURISM BUT RATHER:

• HOW TO DEVELOP IN SUCH A WAY THE LOCAL COMMUNITIES BENEFIT?
• HOW TO USE TOURISM TO REGENERATE OTHER SECTORS?
• HOW TO LIMIT TOURISM’S NEGATIVE SOCIAL AND CULTURAL IMPACTS?
• HOW TO BUILD A DYNAMIC LOCAL PRIVATE SECTOR?
1. PUTTING THE ENVIRONMENT FIRST

• BUILD RESPONSIBLE TOURISM
  – CONTROL CAPACITY
  – DEVELOP TOURISM WITH DIGNITY
  – PLAN FOR THE TOURISM SECTOR

• FOSTER A CULTURE OF CONSERVATION

• DEVELOP AN ENVIRONMENTAL FOCUS
  – SOLVE ENVIRONMENTAL PROBLEMS
  – EXPLOIT NICHES IN ECOTOURISM
2. MAKING TOURISM A LEAD SECTOR

- DEVELOP TOURISM’S AXIAL POTENTIAL
  - SECTOR WITH DOMINO EFFECT/SEVERAL SERVICES ARE ACTIVATED
  - AVOID LEAKAGES
- ADOPT NEW STRATEGIES FOR DEVELOPMENT
  - MANUFACTURING AND AGRICULTURE IN FUNCTION OF TOURISTS (SEE FASHION IN TOGO)
- EXPLOIT NICHES IN THE SERVICE SECTOR
3. STRENGTHEN DISTRIBUTION CHANNELS IN THE MARKETPLACE

- ENSURE ADEQUATE AIR ACCESS
- TRANSFORM THE ROLE OF NTOS
  - NOT ONLY PROMOTION
  - LITTLE ATTENTION IS GIVEN TO DEVELOPMENT OF THE PRODUCT (E.G. HOTEL SERVICE, ENVIRONMENT, SEWAGE)
  - FIND INNOVATIVE WAYS TO DISTRIBUTE PRODUCTS (ADOPT TECHNOLOGIES, PPP)
- FOCUS AT PRODUCT DEVELOPMENT AT HOME
  - IMPROVE AND UPGRADE SERVICES CONTINUOUSLY
  - EDUCATE AND TRAIN LOCALS FOR TOURISM
4. BUILDING A DYNAMIC PRIVATE SECTOR

• DON’T BE AFRAID OF NEW TOURISM
  – E.G. SPECIAL INTERESTS
  – STRENGTHEN THE PRIVATE SECTOR

• LET QUALITY TO BE THE GUIDE

• BUILD PUBLIC/PRIVATE SECTOR COLLABORATION
  – FOSTER REGIONAL COOPERATION
PORTEER - COMPETITIVE DETERMINANTS
DIAMOND

- SUCCESS OF A FIRM DOES NOT ONLY DEPEND ON THE STRATEGY AND POSITIONING OF THE FIRM BUT ALSO ON THE EMBEDDING IN THEIR ENVIRONMENT
- THE ENVIRONMENT SHOWS VERY OFTEN A PATTERN OF SPECIALISATION
- DIAMOND AS A REINFORCING SYSTEM
CENTRAL THESIS

• REGIONS (DESTINATIONS/CLUSTERS) SUCCEED IN PARTICULAR INDUSTRY (activity) BECAUSE THEIR HOME ENVIRONMENT IS MOST DYNAMIC AND THE MOST CHALLENGING, AND STIMULATES FIRMS TO UPGRADE THEIR ADVANTAGE
CLUSTERS IN TOURISM

• GROUP OF COMPANIES DIRECTLY RELATED TO TOURISM IN A GEOGRAPHICAL AREA (Venice, Brugge, Vienna, Iguazu, Krakow)

• COMPETITION BETWEEN CLUSTERS
COMPETITIVE ADVANTAGES OF DESTINATIONS

1. FACTOR CONDITIONS
2. THE QUALITY AND STRUCTURE OF SUPPLIERS AND IT RELATED EXPERIENCES
3. MARKET AND ORGANIZATIONAL STRUCTURES, DISTRIBUTION CHANNELS, STRATEGIES AND TARGETS
4. DEMAND CONDITIONS
5. TWO ADDITIONAL VARIABLES: GOVERNMENT AND CHANCE
COMPETITIVE ADVANTAGES OF DESTINATIONS

- Chance
- Structure/organisation/strategies
- Destination
- Demand conditions
- Suppliers and related industries
- Government

Factor conditions
WHICH DETERMINANTS CONTRIBUTE TO THE PRESENT COMPETITIVE POSITION

• TYPE OF DESTINATION
  – SOCIO-ECONOMIC DEVELOPMENT
  – CLIMATE
  – CULTURE
  – POLITICAL SYSTEM
  – AVAILABILITY OF SPECIAL FACTORS
FACTOR CONDITIONS

• FACTOR ENDOWMENTS ARE THE BASIC COMPONENTS OF PRODUCTION IN TOURISM

• OTHER FACTOR CONDITIONS
  – FACTOR PRICES
  – PRODUCTION EFFICIENCY

• THREE CATEGORIES OF FACTOR ENDOWMENTS
  – NATURAL (e.g. LANDSCAPE, BEACHES) AND CULTURAL RESOURCES (E.G.CULTURAL HERITAGE)
  – CAPITAL AND INFRASTRUCTURE RESOURCES (e.g. SUPERSTRUCTURES, ACCOMMODATIONS )
  – HUMAN RESOURCES
FACTOR CONDITIONS

• STOCK OF EXISTING FACTORS IS LESS IMPORTANT THAN THE RATE AT WHICH THEY ARE CREATED, **UPGRADED AN SPECIALISED**
QUALITY AND STRUCTURE OF SUPPLIERS

- RELATED AND SUPPORTING PRODUCERS
  - FOOD AND FASHION INDUSTRIES
  - CULTURAL, ENTERTAINMENT AND SPORT FACILITIES
  - SOUVENIR INDUSTRY
  - HIGH QUALITY SERVICES (E.G. TRAVEL AGENTS, TRAVEL GUIDES, BANKS, SPORT TRAINING FACILITIES, SKI SCHOOLS, HAIRDRESSERS, CLEANERS)
  - COMPETITIVE PRODUCERS (E.G. CONSTRUCTION INDUSTRY, AGRICULTURE, EDUCATION AND RESEARCH FACILITIES)
  - TRAINING CENTERS AND RESEARCH FACILITIES
QUALITY AND STRUCTURE OF SUPPLIERS

• QUALITY OF DELIVERED PRODUCTS

• QUALITY CONSISTS OF THREE DIFFERENT COMPONENTS
  – NATURAL QUALITY (ENVIRONMENTAL CONDITIONS)
  – MATERIAL QUALITY (HOTEL, RESTAURANT, ETC)
  – IMMATERIAL QUALITY (SERVICE, MANAGEMENT, ORGANISATION)

• NETWORKS (KLM AND PROMOTION OF TOURISM/ THE BEST OF THE ALPS)

• HIGH QUALITY SERVICES

• DIFFERENTIATION OF DELIVERED PRODUCTS
STRATEGY, MARKET & ORGANIZATIONAL STRUCTURE

• ORGANIZATIONAL STRUCTURE
• FRAGMENTED MARKET
• FIRM SIZE
• IMPORTANT COORDINATORS (NBT, KLM)
• PUBLIC/PRIVATE PARTNERSHIP
• DESTINATION MANAGEMENT
  – DISTRIBUTION CHANNELS
  – COMPUTER- AIDED INFORMATION AND BOOKING SYSTEMS
  – WWW
DEMAND CONDITIONS

• DETERMINED BY:
  – SIZE OF THE MARKET
  – STRUCTURE OF THE MARKET (e.g. SHARE OF LONG HAUL)
  – TRAVEL EXPERIENCE
  – SOPHISTICATED TOURISTS TO RECOGNIZE NEW TRENDS (GERMAN TOURISTS AND THE ENVIRONMENT)
  – BUSINESS TRIPS (INT. STRENGTH OF THE ECONOMY)

• IMPACT ON THE SUPPLY (HOTEL CHAINS)

• IMPORTANCE OF QUALITY
GOVERNMENT AND CHANCE

• GOVERNMENT

• CHANCE (E.G. EXCHANGE RATE)
IMPROVE COMPETITIVE ADVANTAGE OF TOURISM DESTINATIONS

• THE MAIN POINTS OF ACTION FOR THE DEVELOPMENT OF STRATEGIES FOR IMPROVING THE COMPETITIVE POSITION OF A DESTINATION COINCIDE WITH THE DETERMINANTS OF COMPETITIVENESS.

• WE NEED A MIX OF STRATEGIES FOR EACH TYPE OF DESTINATION

• OVERVIEW OF POSSIBLE MEASURES
IMPROVE C.A. FACTOR CONDITIONS

• POSSIBLE DEFICITS:
  – INNOVATION WEAKNESSES IN THE SUPPLY
  – LOW SHARE OF THE INFORMATION SECTOR

• THEREFORE, THE IMPLEMENTATION OF FACTOR CREATING MECHANISMS/UPGRADING
  – CREATION OF MAN-MADE ATTRACTIONS
  – INNOVATIVE EVENTS
  – TARGET GUESTS FROM LONG HAUL MARKETS
  – PRODUCT INNOVATION
  – PRODUCT DEVELOPMENT
  – RESEARCH INTO TRENDS AND INNOVATIONS
  – DEAL WITH COMPLAINTS/HOTEL SCHOOL
IMPROVE CA STRUCTURE AND QUALITY OF THE SUPPLIERS

- TOTAL QUALITY MANAGEMENT
- PROMOTION OF SOPHISTICATED CONSUMER GOODS AND OF HIGH QUALITY FOOD PRODUCTS CHARACTERISTIC FOR THE REGION (e.g. TOGO)
- LINKS WITH THE TRANSPORT SECTOR
- HEALTH CARE
- ACCESSIBILITY
IMPROVE CA MARKET STRUCTURE, ORGANIZATION-STRATEGIES

• STRATEGIC PLAN IS A MUST
• QUALITY PLAN
• BUILDING STRATEGIC ALLIANCES (BOTA)
• TO MARKET THE DESTINATION
• IMAGE IMPROVEMENT
• QUALITATIVE IMPROVEMENT OF TOURISM FACILITIES
• FOUNDATION OF INFORMATION AND RESERVATION CENTERS
IMPROVE CA
DEMAND CONDITIONS

• IMPROVE THE DESTINATION’S POSITION IN FAST GROWING MARKETS (E.G.COUNTRIES; SHORT BREAKS )
• GREATER DIVERSIFICATION BY COUNTRY OF ORIGIN
• ATTRACTING HIGH-INCOME PEOPLE
• SOPHISTICATED CUSTOMERS CHALLENGE LOCAL FIRMS WITH THEIR NEEDS
• FOSTERING THE SUPPLY OF SEASON INDEPENDENT PACKAGES
• INCREASING THE SHARE OF FIRST TIME VISITORS
• PRODUCTS: PEOPLE COME FOR AN EXPERIENCE
• PS: STRATEGIC PLAN IS VERY HELPFUL
IMPROVE CA GOVERNMENT

- QUALITY OF THE ENVIRONMENT
- ASSIGNING QUOTAS
- VISITOR MANAGEMENT
WES MODEL
WES APPROACH

• THE COMPETITIVE POSITION OF A DESTINATION RESULTS FROM THE PERFORMANCES OF THAT DESTINATION WITH RESPECT TO A NUMBER OF FACTORS
  – MACRO-ECONOMIC FACTORS
  – SUPPLY FACTORS
  – TRANSPORT FACTORS
  – DEMAND FACTORS
  – TOURISM POLICY
WES: FACTORS CONDITIONING COMPETITIVE POSITION

- MACRO-ECONOMIC FACTORS
  - REAL EXCHANGE RATE
  - AVAILABILITY AND COST OF CAPITAL
  - FISCAL POLICY (E.G. IMPORT TAXES/STAY-OVER TAX)

- SUPPLY FACTORS
  - COMPONENTS TOURISM PRODUCT
  - LABOUR SUPPLY
  - INFRASTRUCTURE (TRANSPORT; UTILITIES) %
• TRANSPORT FACTORS
  – AVAILABILITY OF REGULAR SERVICES
  – AVAILABILITY OF CHARTER SERVICES
  – AVAILABILITY OF CRUISE/ TRAIN SERVICES

• DEMAND FACTORS
  – MARKET DEPENDENCE
  – PENETRATION DISTRIBUTION CHANNELS
  – PRESENCE IN GROWTH MARKETS
  – MARKETING EFFORTS

• TOURISM POLICIES
  – INSTITUTIONAL/BUDGETARY SUPPORT/PLANNING CAPACITY/ TOURISM POLICY FORMULATION.
PRICE COMPETITIVENESS
DEFINITION

• COMPETITIVENESS IS A GENERAL CONCEPT THAT ENCOMPASSES
  – PRICE DIFFERENTIALS COUPLED WITH:
  – EXCHANGE RATE MOVEMENTS
  – PRODUCTIVITY LEVEL OF VARIOUS COMPONENTS
  – QUALITY FACTORS AFFECTING ATTRACTION OF A DESTINATION

• Source: Dwyer L and al, Tourism Management, 2000, n° 9
DETERMINANTS OF THE DEMAND FOR TOURISM

• SOCIO-ECONOMIC AND DEMOGRAPHIC FACTORS (per capita income)
• QUALITATIVE FACTORS (image, quality of tourist services, destination marketing, etc.)
• PRICE FACTORS
  – TRANSPORT SERVICES
  – GROUND CONTENT (accommodation, food, etc.)
PRICE IMPORTANT

• “CHANGING COSTS IN PARTICULAR DESTINATIONS RELATIVE TO OTHERS, ADJUSTED FOR EXCHANGE RATE VARIATIONS, ARE REGARDED AS THE MOST IMPORTANT ECONOMIC INFLUENCE ON DESTINATION SHARES OF TRAVEL ABROAD”
BORDAS

• LONG HAUL DESTINATIONS
BASIC RELATIONSHIPS

- $D = F(\ PD, \ PC, \ PSS, \ O)$
  - $PD = F(\ SD, \ NDM, \ PVD, \ MC, \ O)$
  - $PC = F(\ EC, \ PhC, \ PsC, \ PuC, \ O)$
  - $PSS = F(\ MS, \ CS, \ PSSE, \ O)$
  - $PVD = F(\ OI, \ ISE, \ ICE)$
RITCHIE-CROUCH MODEL

See book Brent Ritchie and Geoffrey Crouch
The Competitive Destination
CABI Publishing, 2003
Thesis

• “THE FUNDAMENTAL PRODUCT IN TOURISM IS THE DESTINATION EXPERIENCE. COMPETITION, THEREFORE, CENTRES ON THE DESTINATION”

( Brent Ritchie & Geoffrey Crouch, The competitive destination: A sustainable perspective, Tourism Management, 2000)
WHAT MAKES A DESTINATION COMPETITIVE

• IS ITS ABILITY:
  – TO INCREASE TOURISM EXPENDITURE
  – TO INCREASINGLY ATTRACT VISITORS
  – WHILE PROVIDING THEM WITH SATISFYING MEMORABLE EXPERIENCES
  – TO DO SO IN A PROFITABLE WAY
  – WHILE ENHANCING THE WELL-BEING OF DESTINATION RESIDENTS
  – AND PRESERVING THE NATURAL CAPITAL FOR FUTURE GENERATIONS
CONCEPTUAL MODEL

Fig. 3.1. Conceptual model of destination competitiveness.
COMPARATIVE ADVANTAGE

• DIFFERENCES IN ENDOWMENT OF THE FACTORS OF PRODUCTION

• COMPARATIVE ADVANTAGE CONCERN BOTH NATURALLY OCCURRING AS WELL AS CREATED RESOURCES (e.g. infrastructure)
COMPARATIVE ADVANTAGE – FACTORS OF PRODUCTION

• GROUPS OF FACTORS (PORTER)
  – HUMAN RESOURCES
  – PHYSICAL RESOURCES
  – KNOWLEDGE RESOURCES
  – CAPITAL
  – INFRASTRUCTURE

• ADDITIONAL RESOURCES IN TOURISM
  – HISTORICAL AND CULTURAL RESOURCES
  – INFRASTRUCTURE (TO INCLUDE TOURISM SUPERSTRUCTURE)
COMPETITIVE ADVANTAGE

• WHEREAS COMPARATIVE ADVANTAGE INVOLVE THE RESOURCES AVAILABLE TO A DESTINATION, COMPETITIVE ADVANTAGES RELATE TO A DESTINATION’s ABILITY TO USE THESE RESOURCES EFFECTIVELY OVER THE LONG TERM
A conceptual model is a device that provides a useful way of thinking about a complex issue.

Comp. adv. and Compet. adv. are generic concepts.

The conceptual model should reveal in greater depth, just what these concepts (CA and Comp A) mean in the context of a tourist destination.

To be managerially useful we need to examine further the categories that constitute resource endowments and resource deployments in order to understand how these constructs are best operationalized to determine destination competitiveness.
Components of the model

• (Comparative advantages)
• (Competitive advantages)
• The global (macro)environment
• The competitive (micro)environment
• Core resources and attractors
• Supporting factors and resources
• Destination policy, planning and development
• Destination Management
• Qualifying and amplifying determinants
PART 2: 10. KEY COMPETITIVE FACTORS

• MACRO ECONOMIC FACTORS
• ATTRACTIONS
• INNOVATION
• STRATEGIC PLANNING -DPPD
• POSITIONING AND BRANDING
• DESTINATION MANAGEMENT AND MARKETING
• STRATEGIC ALLIANCES
• MAKE TOURISM A LEAD SECTOR
• QUALITY
• ACCESSIBILITY
1. MACRO ECONOMIC FACTORS

- REAL EXCHANGE RATE (PRICE AND EXCHANGE RATE)
- AVAILABILITY AND COST OF CAPITAL AND LABOUR
- FISCAL POLICY (E.G. IMPORT TAXES/STAY-OVER TAX)
2. ATTRACTIONS

• Attractions are basic (natural, cultural, man-made)
• Attractions and sustainable development
• How to upgrade attractions?
• Staging offers (‘Angebots-Inszenierung’)
• Make them unique
• Product development (special interests)
• Human resources
• Hospitality
  – See ‘Austrian Charm- a competitive advantage?’
3. INNOVATION

• Schumpeter advanced two main themes:

• Firstly, **innovation** – including the introduction of new products and production methods, the opening of new markets, the development of new supply sources, and the creation of new industrial organization forms.

• Secondly, innovations did not just happen, but required acts of **entrepreneurship** – heroic efforts to break out of static economic routines.

• ‘Economic leadership must be distinguished from ‘invention’. As long as they are not carried into practice, inventions are economically irrelevant.'
INNOVATION IN TOURISM

• PRODUCT INNOVATION
  • e.g. NEW TYPES OF ACCOMMODATION

• PROCESS INNOVATION
  • e.g. TREATMENT OF WAST WATER,
  • FASTER AND SAFER SKI-LIFTS,
  • EMPOWERMENT OF STAFF
  • FRIENDLINESS OF RECEPTION STAFF
  • USE OF INFORMATION TECHNOLOGY

• IN TOURISM OTHER FORMS OF INNOVATION
4. DPPD - STRATEGIC PLANNING

- PURPOSE OF TOURISM POLICY
  - Providing maximum benefits to the stakeholders
    - T P seeks to provide high-quality visitor experience
    - profitable to destination stakeholders
  - while minimizing negative impacts
    - destination is not compromised in terms of its environmental, social, and cultural integrity
WHERE ARE WE NOW?

SITUATION ANALYSIS
INTERNAL ANALYSIS  EXTERNAL ANALYSIS

DIAGNOSIS/SWOT

WHERE DO WE WANT TO GO?

MISSION /VISION  OBJECTIVES AND TARGETS

HOW DO WE GET THERE?

MARKETING STRATEGY
STRATEGY/ MARKETING-MIX
ACTION PLANS

MONITORING-EVALUATION-ADJUST
OBJECTIVES

• DEVELOPMENT OBJECTIVES

• MARKETING OBJECTIVES
STRATEGIES

• DEVELOPMENT STRATEGIES
  – PHYSICAL RESOURCES
  – HUMAN RESOURCES
  – INFORMATION RESOURCES

• MARKETING STRATEGIES
  – SCOPE
  – MARKET CHOICE
  – PRODUCT-MARKET COMBINATION
  – SEGMENTATION
  – POSITIONING
  – COMMUNICATION
5. POSITIONING AND BRANDING

• Positioning in the target markets.
• For Ries and Trout it is “the battle of your mind”. Positioning is not what you do to a product (is differentiation), but what you do to the mind of the prospect. Or creating an image in the consumer’s mind
• ‘a product’s position is the way the product is defined by consumers on important attributes - the place the product occupies in consumers’ minds relative to competing products’ (Kotler, Bowen and Makens)
ELEMENTS OF A GOOD POSITIONING

• Image creation
• Show the benefit(s)
• Differentiation
• Delivering
CANARY ISLES

• **Image**: 7 very different isles, great hotel tradition, sun all year round

• **Benefit**: the climate: The best climate in Europe; good climate all year round

• **Differentiation:**
  
  - Better climate than the Caribbean and the Mediterranean
  
  - The geographical situation (at a 4 hours flight)
  
  - The same latitude as the Bahamas and Hawaii (is not the case for Mallorca and Greece)

• Umbrella ‘Canary Isles’; In second order, under the common umbrella, the major characteristic of each of the 7 islands is emphasized.
POSITIONING OF BRUGGE

Brugge, city of world heritage

The whole inner city world heritage

Lively culture

Intimacy
Branding

• Positioning and branding are strongly interrelated.
• Branding is a central element in the strategic positioning of tourism products
• For destinations branding takes the form of a ‘corporate identity’ (see SPAIN)
• The Internet and branding
BRAND

• A brand is a name, symbol, logo or other graphic that both identifies and differentiates. Branding is an identifying mark for consumers who cannot see the wood for the trees.

• Branding is becoming increasingly important for the large tourism groups and for destinations to distinguish themselves from competitors and competing products.

• The basic elements are: isotype, logotype and base line. Well known is the corporate identity (brand) of Spain.
Because of the importance they attach to the concept of experience, Ritchie and Crouch reformulated the definition in the following way:

‘A destination brand is a name, symbol, logo, word mark or other graphic that both identifies and differentiates the destination; furthermore, it conveys the promise of a memorable travel experience that is uniquely associated with the destination; it also serves to consolidate and reinforce the recollection of pleasurable memories of the destination experience’"
6. DESTINATION MANAGEMENT

• WE ASSUME THAT THE POLICY, PLANNING AND DEVELOPMENT PROCESS HAS SUCCEEDED IN CREATING THE FRAMEWORK FOR A COMPETITIVE AND SUSTAINABLE DESTINATION

• DM IS THE KEY TO MAINTAINING A SUSTAINABLE COMPETITIVE ADVANTAGE
  – TO ENSURE ITS ECONOMIC PROFITABILITY
  – AVOIDING DEGRADATION OF THE FACTORS THAT HAVE CREATED ITS COMPETITIVE POSITION
COMPONENTS OF DM

- ORGANISATION (DMO)
- MARKETING
- QUALITY OF SERVICE EXPERIENCES
- INFORMATION/RESEARCH
- HUMAN RESOURCE DEVELOPMENT
- FINANCE AND VENTURE CAPITAL
- VISITOR MANAGEMENT
- RESOURCE STEWARDSHIP
- CRISIS MANAGEMENT
- PS all components are highly interdependent
7. STRATEGIC ALLIANCES

• Diagonal integration: joint production

• $2 + 2 = 5$

• Alliances within the destination
  – In the tourism sector
  – Between tourism sector and other sectors

• Alliances between destinations
BOTA: BEST OF THE ALPS

• FRANCE: CHAMONIX AND MEGEVE
• SWITZERLAND: GRINDELWALD, DAVOS, ZERMATT and ST.MORITZ
• ITALY: CORTINA D’AMPEZZO
• GERMANY: GARMISCH PARTENKIRCHEN
• AUSTRIA: SEEFELD, KITZBÜHL, LECH ZÜRS AM ARLBERG AND ST.ANTON AM ARLBERG
8. MAKE TOURISM A LEAD SECTOR

• DEVELOP TOURISM’S AXIAL POTENTIAL
  – SECTOR WITH DOMINO EFFECT/SEVERAL SERVICES ARE ACTIVATED
  – AVOID LEAKAGES

• ADOPT NEW STRATEGIES FOR DEVELOPMENT
  – MANUFACTURING AND AGRICULTURE IN FUNCTION OF TOURISTS (SEE FASHION IN TOGO)

• EXPLOIT NICHES IN THE SERVICE SECTOR

• AUTHENTIC SOUVENIRS
9. QUALITY IN TOURISM

QUALITY IN TOURISM - SCHEME

EXPECTATIONS
- Functional
- Experience-linked
- Symbolic

EXPERIENCES
- Functional
- Experience-linked
- Symbolic

PERCEIVED QUALITY

CUSTOMER SATISFACTION

LOYALTY
- Possibility of repeat visit
- Recommendation

DISLOYALTY
- No repeat visit
- Negative recommendation

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PRINCIPAL CATEGORIES TO BE EVALUATED IN WES-RESEARCH

1. Beach and promenade
2. Tourism attractions and tourist possibilities
3. Accommodation
4. Restaurants, bars, terraces
5. Traffic and parking
6. General characteristics of the resort and its population
7. Services of Tourist Office
QUALITY PLAN

1. ‘Quality is never an accident. It is always the result of intelligent effort’
2. Listing problem areas
3. Formulating concrete proposals
4. Testing results and proposals with representative members
5. Structure for implementation and monitoring
6. Marketing intermediaries must sell the quality message
7. Tourism sector providers must be convinced and cooperate
10. ACCESSIBILITY

• WHAT IS IMPORTANT?
  – PRICE
  – TIME
  – SAFETY

• AIR CONNECTIONS
  – LOW COST CARRIERS

• TGV

• BUT ALSO POLITICAL STABILITY AND SAFETY
COMPETITIVENESS IN TOURISM

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